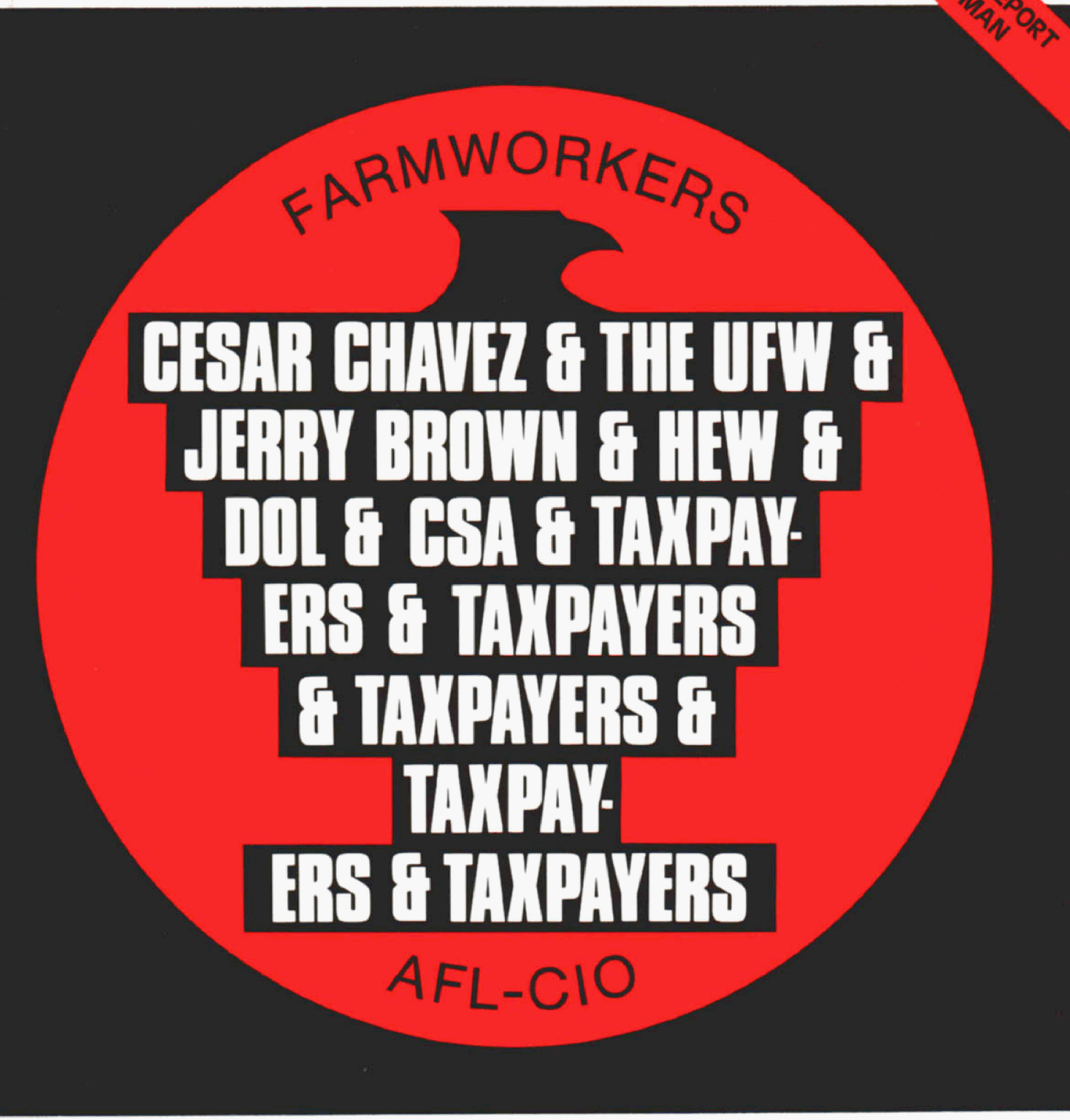
reason

NOVEMBER 1979 $2.00

AN INVESTIGATIVE REPORT BY PATTY NEWMAN



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THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 7 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or fallacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **149**, Santa Cruz, CA 95060

November 1979/Vol. 11, No. 7

reason

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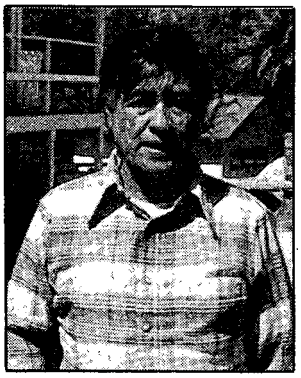

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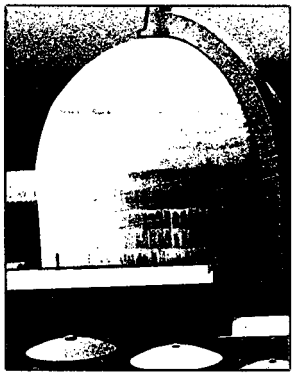

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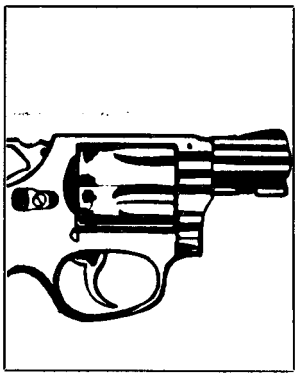

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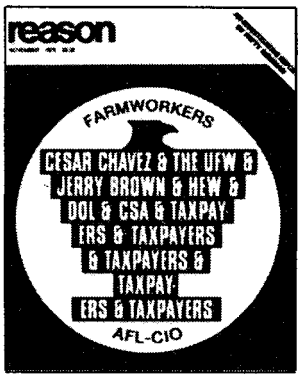

Cover by Nanette Boyer

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EDITOR
Robert Poole, Jr.

ASSOCIATE EDITOR
Marty Zupan

SENIOR EDITORS
Tibor R. Machan
Manuel S. Klausner

CONTRIBUTING EDITORS

David Brudnoy
James Dale Davidson
Edith Efron
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editor's notes

• **INVESTIGATIVE JOURNALISM.** This month's cover story on federal grants and the United Farm Workers union represents REASON's most ambitious venture to date in investigative reporting. The result of six months of research, the article was made public at a Washington press conference featuring author Patty Newman and editor Robert Poole. A number of lawmakers have expressed interest in calling for a congressional investigation, based on the article's revelations of misuse of federal grants.

This article is the first project of the Reason Foundation's new Investigative Journalism Fund. It's a special fund aimed at providing the kind of money necessary to support the detailed research inherent in investigative reporting. Unfortunately, most such journalism these days is carried out by reporters who are not conversant with the ideals and values of a free society; many are openly collectivist in their values. Our Journalism Fund provides an alternative to nihilistic muckraking. We have a long list of research topics and a roster of competent young journalists available to pursue them. Needless to say, contributions to the Reason Foundation to support this project are invited.

• **ADDITIONS.** We are pleased to announce three important additions to the ranks of the Reason Foundation.

Our fifth and newest trustee is M. Bruce Johnson, professor of economics at the University of California at Santa Barbara. Besides being president-elect of the Western Economics Association, Prof. Johnson is an advisor to World Research, Inc., and has been director of research for the University of Miami's Law and Economics Center. He is editor of LEC's *The Attack on Corporate America* (McGraw-Hill, 1978).

Joining the Foundation's Advisory Board is William E. Simon, former US Secretary of the Treasury and author of the best-selling book *A Time for Truth.* Mr. Simon currently serves as president of the John M. Olin Foundation, is a consultant to Booz, Allen and Hamilton, and serves on the boards of a number of corporations.

Also joining the Advisory Board is Prof. F. A. Hayek, 1974 Nobel laureate in economics. Hayek, best known for his 1944 classic *The Road to Serfdom*, is the author of numerous books and essays on social, political, and economic aspects of the free society. Still writing and lecturing at age 80, he recently completed the third volume of his *Law, Legislation and Liberty.*

• **RADIO MESSAGES.** Two free-market-oriented think tanks are producing public affairs commentaries for radio broadcasting. The older of the two comes from the Cato Institute (1700 Montgomery St., San Francisco, CA 94111). Called "Byline," it features two-minute commentaries by figures like Nicholas von Hoffman, Dom Armentano, William Proxmire, and Howard Jarvis. The series is being sent free of charge to 140 radio stations across the country. The second series is "Midnight Economist" and features economist William R. Allen of UCLA and the International Institute for Economic Research. It is heard nightly on KBIG-FM in Los Angeles and is syndicated by the Public Affairs Broadcast Group (Box 48911, Los Angeles, CA 90048) for stations across the country.

• **LIST RENTAL POLICY.** Yes, Virginia, we *do* rent our mailing list. For those concerned about privacy and "junk mail," a few words of explanation are in order. First of all, we never—*never*—sell our mailing list to anyone else. What we do is *rent* it, to carefully selected mailers, for *one-time* use—which means they can affix the labels to their envelopes and send them off, *not* copy the list and add it to their own. (There are safeguards to detect cheating.)

Why do we rent the list? For the same reasons that we sell advertising space in REASON—as a source of income—and secondarily, to provide readers with access to possibly useful or interesting information. If none of this convinces you that we're doing right, there's one final out: you can request that your name not be included among those we rent out. Our computer can arrange this by changing a single digit in your address code. So if you really don't want to get all those messages in your mailbox, just drop us a note (being *sure* to enclose your present mailing label).

—R. P.

The Swiss Franc Retirement Plan

Why your future retirement income is in danger — and what you can do about it.

The Social Security system is on the verge of bankruptcy. Newspaper headlines regularly announce pension fund problems. Savings accounts, stocks, real estate and other investments are ravaged by inflation and taxes.

If you're depending on one of these sources to provide you with a retirement income, you may be in for the shock of your life! Prudent, reasonable people who made what they thought were adequate preparations for their retirement years are now barely managing to stay afloat. *And it's going to get a lot worse.*

Fortunately, there's a solution: *Swiss franc annuities.* A life income guaranteed you by a Swiss insurance company—and paid to you not in depreciating American dollars but in strong, stable Swiss francs.

In the Spring of 1970, two men retired. Both began receiving life incomes of $1,000 a month. Today, one man's monthly income is still $1,000 but worth only $647 in purchasing power. But the other man's monthly income has *more than doubled* —to $2,150. His purchasing power is now greater than in 1970.

Why the difference? The second man bought a Swiss annuity policy. His life income is paid in Swiss francs—which he converts to dollars as each payment is made.

Swiss franc annuities keep you well ahead of inflation. Their dividends alone can raise your life income by 10-15%. The policy you purchase can begin paying immediately—or payments can be deferred until you retire. If you wish, you may select a policy that covers your beneficiary as well. Swiss franc policies are perfectly legal for Americans, and there are no Swiss taxes to pay. No medical exam is necessary. *And the income is guaranteed as long as you live—in Swiss francs.*

Switzerland's reputation for financial stability and integrity spans more than 200 years. The Swiss franc is the world's strongest currency. Many Swiss insurance companies are more than a century old. They are all governed by the world's strictest insurance regulations and the same privacy laws that apply to Swiss bank accounts.

Will your insurance broker help you learn about Swiss franc annuities? Not likely. But now there's a book that tells you everything you need to know: *The Autumn Annuities: Life Incomes in Swiss Francs.*

The Autumn Annuities explains exactly what Swiss franc annuities are and how they work, the kinds of annuities available, how to obtain a policy tailored specifically for your needs, how to receive payments and answers to many other questions. Also included are names and addresses of Swiss insurance companies.

In short, *The Autumn Annuities* is the comprehensive guide to the subject of Swiss franc annuities. It was written by Jean-Pierre Bernard, who specializes in handling Swiss life annuities for non-Swiss residents.

To order your copy of *The Autumn Annuities: Life Incomes in Swiss Francs,* just send a check or money order for $15 to Kephart Communications, Inc., Dept. 3545 • 901 N.Washington St. 605, Alex.VA 22314 The price includes postage and is tax-deductible. If you're dissatisfied with the book for any reason, simply return it within three weeks for a full and prompt refund.

Isn't $15 a small investment when your future financial security is at stake? Act now to protect yourself—while there's still time. SA929b

What Your Banker Won't Tell You About Your Mortgage Loan

Most people don't realize it, but your banker often charges you more for interest on your mortgage loan than your house itself costs. For instance, if you buy a $75,000 house with a 30 year mortgage for $60,000 at 10% interest, your banker will pocket a staggering $129,600 in interest payments alone. That's an incredible $54,600 more than the cost of your house!

Because your banker is making such an enormous amount of money on your mortgage, *seemingly minor differences in the terms you choose* will have a major impact on how much interest you have to pay. Indeed, three of these "minor" differences may save you upwards of 56% of the interest—literally tens of thousands of dollars—if you handle them properly. And they are completely within your power to control.

You can be sure bankers won't volunteer information to you about these interest-saving differences in mortgage terms—bankers want to maximize their profits just like anyone else.

How To Slash The Cost Of Your Mortgage Loan By 56%

HOMEOWNER'S MONEYLETTER has published a special new Report, *How to Save Thousands on Your Mortgage Loan.* This Report tells you exactly what to do to achieve enormous interest savings. It gives you in-depth instructions on . . .

- 3 specific ways to structure your mortgage loan to maximize your savings on interest payments—and slash as much as 56% off the cost of a mortgage loan.
- Precisely how much you can expect to save. (For instance, on a $60,000 mortgage, you can slash your interest payments from $129,600 to $56,100—an amazing $73,500 savings.)
- Why structuring your loan the right way will reduce your indebtedness faster, in addition to saving you thousands on interest.
- How to achieve major savings on interest, if you're on a shoestring monthly budget.
- 2 powerful weapons that will help you negotiate a lower interest rate at the bank. (Most people have them but don't realize it.)

These methods are financially conservative methods that any home buyer can use. They *maximize* your savings in interest payments; they *maximize* your financial security; and they *minimize* your indebtedness to your banker.

Free Bonus

How to Save Thousands on Your Mortgage Loan is critically important reading . . . if you are considering buying a house now or in the foreseeable future . . . if you are thinking about a second mortgage or a home improvement loan . . . or if you think you may want to "cash out" the built-up equity in your current home by refinancing your mortgage loan. This special Report is yours as a FREE BONUS when you take a 3-month (3-issue) Introductory Subscription to the HOMEOWNER'S MONEYLETTER for only $10. The HOMEOWNER'S MONEYLETTER is the only publication designed to help you manage your investment in your home for maximum profit, pleasure, and economic security.

For your free copy of *How to Save Thousands on Your Mortgage Loan* and your Introductory Subscription to HOMEOWNER'S MONEYLETTER return the coupon below. *Unconditional 30-day money-back guarantee.*

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Rescue Chrysler?

editorial

"WOULD AMERICA BE BETTER OFF without Chrysler?" screams the headline on a two-page ad that's been appearing in major magazines of late. And it goes on with dire talk about Chrysler's 140,000 employees, its dealers' 150,000 employees, and the "hundreds of thousands who supply goods and services to Chrysler." All, we are led to believe, face the loss of their jobs if the company goes bankrupt. Moreover, the ad raises the specter of a "Big 2" instead of the present "Big 3," darkly invoking the perils of shared monopoly.

What we're seeing is a replay of earlier calls for federal bailouts of Lockheed and Pan Am. And the argument is as phony now as it was then. With the unwitting cooperation of shallow news reporting, Chrysler is fostering the impression that bankruptcy means disappearance—as if the company's physical assets were literally going to be liquidated, never to be seen again. But (as pointed out on this page in June 1975) the assets of a company are *resources*, things of value. Chrysler's creditors—especially the banks that have loaned it $1.8 billion—are not about to let those resources disappear. A bankruptcy proceeding is designed to buy time to transfer those resources into more competent hands, so that creditors can eventually be paid off.

Nobody knows exactly what would take place during a Chrysler bankruptcy: perhaps reorganization as a single firm, perhaps the sale of various plants and facilities to other auto firms, both domestic and foreign. But given the level of demand for cars in this country, there's no question that the vast majority of Chrysler's assets (and therefore jobs) would remain involved in automobile production.

So much for the argument from hysteria. And the justice of the case? Critics of a federal bail-out correctly argue that it flies in the face of free-market principles, rewarding management failure and giving Chrysler an unfair advantage over its competitors. And why, they point out, should one firm be singled out for rescue, when thousands of others go bust every year?

But no, says Chrysler management, we are a special case. We have been victimized by government regulations, which have cost us billions and affect *us* more severely than our larger competitors, GM and Ford. All we're asking for is "temporary assistance for 1979 and 1980 equal to the cost of meeting government regulations for those two years." This argument has met with some approval from conservatives, including *National Review* (Aug. 31). But it, too, is misleading and wrong.

The auto industry is hardly the only industry faced with massive government regulation, so if Chrysler is to get aid, the waiting list is likely to lengthen tremendously. But, more important, all the *other* firms in the auto industry, most of which are smaller than Chrysler, somehow seem to be coping with the regulations. American Motors, Toyota, Volkswagen, Nissan, Honda, Fiat, et al. are all managing to turn out cars that people like and that meet the myriad of federal standards.

American Motors is a good case in point. After losing money in 1975 and 1976, the firm dropped its intermediate-sized Ambassador and Matador lines and concentrated on what it knows best—compacts, subcompacts, and jeeps. By thus restricting its line-up, AM's market share has dropped, but its profits have steadily increased. If tiny AM can afford the cost of government regulations, then surely Chrysler—with eight times the sales volume—ought to be capable of doing the same.

But there's the rub. The hard fact is that Chrysler has been out of touch with the market. The company that brought us tail fins in the '50s and failed to build a subcompact to compete with the Pinto and Vega in 1971 (bragging about "no junior editions to compromise your investment") restyled its complete line of big cars just when the Arab oil embargo hit and invested a fortune in failing European carmakers instead of tooling up at home to build cars for the conditions of the '70s. It's the *market* that has caused Chrysler's share of auto sales to dwindle to just 11 percent.

Clearly, taxpayers should not be asked to bail out Chrysler, either by loans or loan guarantees. But the federal government *could* take steps to ease the plight, not just of Chrysler, but of all automakers. A three-point program to revitalize the auto industry would include the following:

- *Repeal federal safety standards.* The industry and consumers are far more safety-conscious now than 10 or 15 years ago. Repealing these rules would not lead to wholesale abandonment of safety features. What it *would* do is subject such features, especially costly boondoggles like air bags, to the test of the marketplace, yielding important savings for consumers and automakers.
- *Repeal federal fuel-economy standards.* In this area, particularly, the market is working admirably. Precisely because of the move away from gas-guzzlers, Chrysler's big-car fetish has been dragging the company down. That's exactly how the free market is *supposed* to work. Bureaucratically defined MPG targets are totally unnecessary when fuel prices are allowed to rise to free-market levels (as they are at last beginning to be).
- *Repeal remaining tariffs on imported cars.* This last is a key to the whole program. The most important real competition in today's US auto market comes from imported cars, which now command 20 percent of all sales. Imports should not be singled out for special taxes, which only serve to artificially increase their selling prices. Instead, this vital, innovative sector of the market should be allowed to compete all-out with Detroit. If we really want to avoid "shared monopoly" and ensure a wide variety of cars, offering consumers maximum choice of safety, performance, and fuel economy, it is competition, not bureaucracy, that we must look to.

In short, though wrong in its arguments, Chrysler management does have a point. Federal regulations are a heavy burden on the auto industry—and a totally unnecessary one. But the answer is not for the federal government to soak the taxpayers. What it must do, instead, is get off the industry's back.

Robert Poole, Jr.

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The Lazy Investor's Way to Beat Inflation

How to enjoy meaningful investment returns with minimal risk and effort

by Thurman L. Smith

Are your investments giving you average annual returns of at least 20%? If not then you are probably losing money.

For what counts in any kind of investment is your net real return after adjusting for inflation and taxes. And in these days of double-digit inflation and higher tax brackets many investors are, sadly, getting little or no real net return.

The Need for High Returns

You can get a satisfactory real net return if you get a sufficiently high gross return. But the kind of return needed today is larger than most investors usually succeed in getting over the long-haul. In today's environment many people need gross returns of about 20% to get real returns of around 8%.

If your investments haven't been doing this well don't feel alone. Very few investors, individual or professional, get average annual returns this high over a sustained period.

The Need to Minimize Risk and Effort

Of course there are those who do. But there is usually a catch. Often they assume levels of risk that most people would not accept. Or they chose investments that require much time and effort. Such as managing an income property. Or doing the substantial research necessary to have even a slight chance of doing well in the stock market.

Now I don't know how you value your free time, but I happen to consider standard working hours to be a sufficient amount of time to be distracted from the really meaningful things in life—like enjoying one's self. So I'm not interested in any investment that's going to require a lot of time.

And I enjoy a good night's sleep too much to tolerate any investment that's highly risky. Is there any approach to personal investing that has a good chance of providing above average returns while demanding less than the usual amount of risk and effort?

The Ideal Investment Method

In fact there is a proven approach to investing that has been able to provide these advantages to the few who know about it. Individuals using one of several variations on this approach over the last ten to twelve years have averaged annual gross returns of over 20%. You are probably aware that returns from stock market averages during this period have been virtually nil. So they must be doing something right.

And yet their holdings do not experience the high volatility typical of investments providing better returns. And unlike a side business, real estate or tangibles, their chosen medium is very liquid. And these investors never pay a cent in commissions.

Best of all for someone as lazy as myself, these investors have hardly anything to do to secure such excellent growth. They know how to put people with proven investment skill to work for them in effect for free. And they spend very little time at it. The information they need to make effective selections and keep current comes to them in the mail for a modest charge.

They also enjoy many more conveniences than are available from any other form of investment. Such as automatic reinvestment of dividends for the accelerated effects of compounding. Or, if they need cash flow, automatic withdrawal programs. And they have no bookkeeping to do because regular statements are provided.

The system they use has to be the most sensible way possible for the individual interested in real long-term growth. You can enjoy this approach too. You don't have to be already wealthy to use it. And although I happen to have an MBA in finance let me assure you that you don't need any special training or aptitude to understand and use this system.

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letters

Military Needs

Since when have economic reasons been the basis for decisions of the Congress and others pertaining to the military needs of the nation? I am referring to the article by Field and Boudreaux on "The Cost of Conscription" [August].

Need, based on enemy capabilities primarily and other lesser factors, provides the basis for decisions relative to the military! It has ever been thus and it will continue to be so.

At the moment, Russia's capability of overrunning Western Europe before the US could effectively oppose such a move is the basis for considering restoration of the draft or institution of some form of national service. Economy has absolutely no bearing on the matter.

Why don't "economists" leave military matters to the military planners and other government officials concerned and stick to writing about the economy. Those who have spent a lifetime in the military realize fully that the most important "what if" *by far* is the one that relates to being defeated in war because the nation was more concerned by other matters than military capability. Once the United States has lost to the USSR in an all-out war, there will be *no* freedom *anywhere* in the world for a *very long period of time*!!! What will it matter then whether the draft or a form of national service was approved by the government or not?

Further, can Messrs. Field or Boudreaux tell us *how* we can make decisions based on morality as long as we have avowed enemies in the world who pay no attention whatsoever to morality in reaching their decisions?

T. R. Clinkscales
Colonel, USAF-Retired
San Antonio, TX

Prof. Field replies: To take away freedom in order to defend freedom has always been a favorite maneuver of the statist. Colonel Clinkscales' argument could be used to justify drafting individuals into civilian posts considered vital to the national defense. It could be used to justify drafting food and equipment for use in national defense. It could be used to justify planning the entire economy for the purpose of national defense. It could be used to justify suppression of all dissent aimed at reducing military spending and military control of the economy. In short, it could be used to justify turning the United States into the Soviet Union in order to save the United States from the Soviet Union.

FAA Heard From

I work for the Federal Aviation Administration. Not in aircraft inspection but in electronics, which shares the same perception and feeling for the FAA's efforts to ensure safety for the flying public.

First of all, for my entire 21 years with the FAA I have chafed over and disagreed with the charge we got from somewhere to "promote" aviation. It's like having the policeman directing traffic on the corner also responsible to "promote" automobile travel. It's none of his business.

Aside from that, in the FAA we spend 50 percent of our time attaining 98 percent reliability of our electronic systems. We spend the other 50 percent of our time struggling it up to 99 or 99.5 percent. (Reliability doesn't mean they are unreliable the other half or one percent of the time they are being used; it's more a measure of continuous availability.)

If ensuring safety were turned over to the private sector as you urged [August] a better system might well evolve. Like you, I too have a deep faith in that principle. But I'll guarantee you there will always be aircraft accidents. There will always be things falling through the cracks. No human being or human system can check every nut and bolt every instant and anticipate every physical weak spot or what is going to break first. There will never be 100 percent reliability!

And anyway, freedom doesn't operate that way. We trade 50,000 lives a year and hundreds of thousands of injuries on the highways for a certain freedom and flexibility and convenience of travel. Your Naderish crying applied to automobiles would have us lumbering at 5 mph down the highways in padded tanks costing about a million dollars each. Sure there would be practically no traffic deaths. But at what price?

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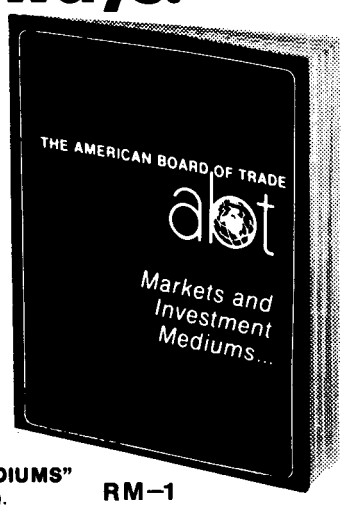

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This "carnage" you describe is still perhaps 100 times as safe as the "carnage" on our roads. How come you multiply air safety so much over automobile safety?

Sure there are things wrong. Probably as much as anything because government, by its very nature, cannot respond to the checks and balances of a free market. But you do disservice to the subject to even hint that FAA people are not trying or are sloughing things off or are lazy or just interested in "covering our tails" all the time. Even worse, the slur that the FAA "has a worse reputation for incompetence, sloth, foot-dragging and confusion" than any other bureaucracy is ludicrous. The FAA has attracted the most competent and brightest group of people of probably any of the bureaucracies. You'd be hard-pressed to find their equal let alone their superior in government.

If our failures are anything it is through being subject to the socialistic solution, not in sloth and incompetence. You degrade the argument and your status as a defender of the right by attacking people instead of principle.

Raeo L. Passey
Layton, UT

Mr. Poole replies: My comments about the competence of the FAA as an organization were based on the views of many long-time observers of the aviation industry, many of whom have testified to that effect before Congress. Undoubtedly there are competent *individuals* within the FAA, but the bureaucratic structure within which they work cannot help but reduce their effectiveness. Aviation *is* still safer than highway travel and, yes, a fully private system would *not* be perfect. My point was simply that we have the ability to create a better system than what we're now stuck with, if only we can muster the political will.

NR on Target?

I have read van den Haag's attack and Rothbard's rebuttal [September], and it pains me to conclude that van den Haag's piece was the more impressive. His only major distortion was to imply that Rothbard is *the* official spokesman for the libertarian movement, instead of "merely" our most prolific and influential theorist.

In criticizing Rothbard, van den Haag landed some telling blows at the center of the anarcho-capitalist paradigm which need to be answered. His analogy between individuals and nations particularly struck me, since for years I have used that same analogy to dispel the argument that defense agencies would stage street fights every time their clients disagreed.

"The line between the agencies' customers' property would be like a national boundary," I'd say. "Do Canada and the United States go to war whenever an American picks the pocket of a visiting Canadian?" Van den Haag turned that argument around on me, by claiming that each individual would in effect be a sovereign nation. As a result, peace between individuals would be as shaky as international peace is today. Regrettably, few countries live together as amicably as we do with Canada.

Defense agencies wouldn't fight because it's bad for business? Well, points out van den Haag, not all agencies will be rational economic calculators. A pack of red-neck vigilante "volunteers" could trample a lot of people's rights before anyone could economically justify the cost of stopping them.

With the above arguments, van den Haag challenged Rothbard on his own terms, in honest debate. To be sure, he also tried to tar the movement with some of the outright silliness that has come from our ranks, but I thought he let us off rather easily there. Walter Block, who has pinned the mantle of heroism on everyone from drug pushers to litterers, wasn't even mentioned.

In comparison, Rothbard's rebuttal was weak and shrill. Instead of refuting

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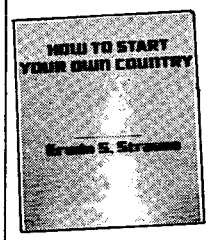

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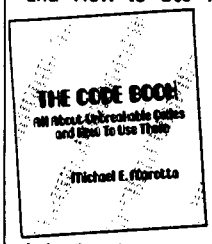

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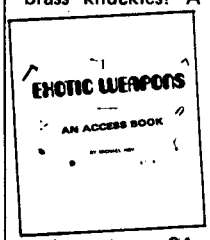

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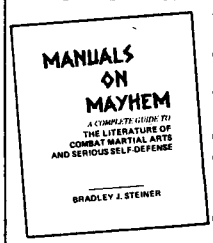

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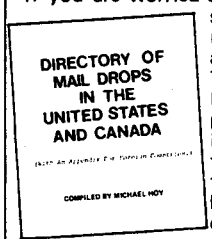

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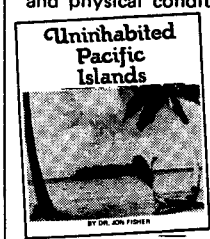

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the arguments mentioned above, he merely listed van den Haag's lapses into unsupported hyperbole. At the end, Rothbard resorted to distortion (van den Haag never claimed Rothbard's ideas were Stalinist, only that his professed tactics bear an ironic resemblance to Stalin's) and finally to outright *ad hominem* (van den Haag was "Richard Nixon's last defender").

REASON readers: if you value your objectivity, I urge you to find the June 8 issue of *National Review* in your local library (unless, God forbid, you subscribe to the thing), read the article, and judge for yourselves.

Steve Klein
Valencia, CA

Taft History

In his article, "Anti-Communist? Yes. Cold Warrior? No." [July], McMenamin presented an inexcusably false portrait of the foreign policy views of the late Sen. Robert Taft.

1. McMenamin cites Taft's vote against NATO, leaving the reader to conclude that it was based primarily upon the fear that NATO might unduly provoke Stalin. Carefully left out was the following, which I quote from Taft: "As for the North Atlantic Treaty Pact, few realize that this treaty obligates us for the next twenty years to assist any nation which is attacked by any other nation, even another member of the Pact. It is simply an old-fashioned military alliance. I did favor a clear declaration to Russia that, if she attacked any of these nations, they would find themselves at war with the United States. That would have left us a free hand to act in our best interests at that time, and would have had the same effect as the Atlantic Pact in deterring Russia from starting a war." ("Foreign Policy Statement" of April 24, 1952)

2. McMenamin cites Taft's characterization of Truman's sending troops to Korea without congressional approval as a "brazen disregard for law." Taft said this because he believed in a strict construction of the Constitution. Conveniently left out is the fact that Taft actually demanded more energetic prosecution of the Korean War than did Truman, that he supported MacArthur against Truman, that he recommended diversionary attacks against the Chinese mainland by Nationalist Chinese troops from Formosa, and that he blamed Truman and Acheson for leaving Korea outside of America's defense perimeter, thereby inviting Stalin's aggression.

3. McMenamin tries to show that Taft's anti-Communism was less militant

than Truman's. Actually, the reverse is the case. Taft accused Truman of appeasing Communism in Asia: "The Far Eastern Division of the State Department was inspired, to say the least, by strong prejudice in favor of Chinese Communists, and that seems to have been shared by Secretary Acheson himself. General Marshall was sent to China to insist that Chiang Kai-shek take Communists into his cabinet, and he did his best to force that result." (*A Foreign Policy for Americans*, 1951, p. 56)

4. McMenamin states that Taft "showed surprising appreciation for (FDR's) Yalta Axioms." If this is so, why did Taft repeatedly say he deplored the secret diplomacy of FDR, regarding it as deceitful and unconstitutional? And why did he speak out against the terms of the Yalta and Teheran agreements, saying that Soviet Russia was conceded far more than she would have won through force of arms?

5. McMenamin coaxes the facts to allow the ignorant reader to conclude that Taft was not what New Left antihistorians call a "cold warrior." It would take a very subtle application of Hegelian logic indeed to reconcile this with Taft's seven recommendations for basic strategy. "1. The creation of powerful American armed forces. 2. Economic aid to countries where such aid will enable anti-Communist countries to resist the growth of Communism from within. 3. Arms aid to countries where such aid will enable anti-Communist governments to resist aggression from without or armed Communist forces within. 4. Warnings to Soviet Russia or its satellites that armed aggression beyond certain lines or against certain countries will be regarded by the United States as a cause for our going to war. 5. The sending of American troops to a country threatened by attack from Russia or its satellites (European army) or where the attack has already occurred (Korea). 6. An ideological war against Communism in the minds of men. 7. An underground war of infiltration in Iron Curtain countries." (*A Foreign Policy for Americans*, p. 66)....

6. McMenamin is able to do all this because in the 26 years since Taft's death a new generation has grown up, abysmally ignorant of history. The truth is that Taft was appalled by FDR and felt that his foreign policy might have needlessly gotten us into war; he didn't think that America was one of Hitler's targets. After WW II, Taft favored a return to normalcy and an avoidance of entangling alliances. His approach was scholarly, and it took him some time to see that "Russia is far more a threat to the security of the United States than Hitler in Germany ever was." (*A Foreign Policy for Americans*, p. 60)

Robert Taft was an honorable man. To depict him as a proto-Rothbardian addlepate is to do an injustice to his memory. For a magazine which calls itself REASON not to repudiate the McMenamin article is to commit a crime against history—perhaps against freedom itself.

Larry Freisen
Beaverton, OR

Mr. McMenamin replies: Freisen's basic charge that I presented "an inexcusably false portrait" of Taft's foreign policy is belied by the fact that over one-third of my article was devoted to disect quotes by Taft. Moreover, his specific charges either (a) are historically inaccurate or (b) fail to support his position.

NATO. Taft didn't oppose NATO because he "feared" provoking Stalin and the Taft quote on NATO in the essay hardly suggests that. The Taft quote on NATO in Freisen's letter is not substantively different from that in the essay. Taft believed in a "free hand," not formal alliances, and never precluded warnings to potential aggressors.

Korea. (1) Taft said in January of 1951 that if he had been President when North Korea attacked, he "would have stayed out" and when asked what he would do now, he said he "would get out and fall back to a defensible position in Japan and Formosa." (2) Taft also suggested in January 1951 a "full scale diversion action" by Chiang Kai-shek in Korea or South China to relieve pressure on American troops who had been pushed back below the 38th parallel by the massive Chinese intervention. Coupled with his desire to withdraw American troops, it was consistent with his position on assistance within our capability: "Our people...cannot send armies to block a Communist advance in every far corner of the world." (3) As for MacArthur, Taft believed that Truman had "every right" to dismiss him. (4) Taft *did* blame Truman and Acheson for the Korean War. "A Truman War," he called it, "useless and expensive...the net result (being)...the destruction of the very country which we undertook to defend." I believe he was right.

Taft's Anticommunism. Taft criticizing Truman's foreign policy towards Nationalist China and accurately accusing the State Department of a "strong prejudice in favor of Chinese Communists" hardly makes Taft a more militant "anti-communist" than Truman. Militant anti-Trumanism is more like it and indeed characterized many of Taft's foreign policy positions. But then Truman was so wrong so often, this is not surprising.

The Yalta Axioms. "Appreciation" hardly implies approval. "Sensitive awareness" is what I had in mind when I used the word. I found it surprising because FDR deliberately hid his cynical, balance-of-power foreign policy behind a flood of Wilsonian rhetoric. Taft speaking out against the Yalta and Teheran agreements and FDR's secret diplomacy is one thing. Taft recognizing that the Russians "have not moved beyond the line of occupation given them in substance at Yalta" is entirely another. In one, he opposes FDR; in the other, he simply admits (i.e., "appreciates") that the Russians only took what we gave them.

Taft as Cold Warrior. Points 1-6 from the Taft quote in Friesen's number 5

(*Continued on p. 48.*)

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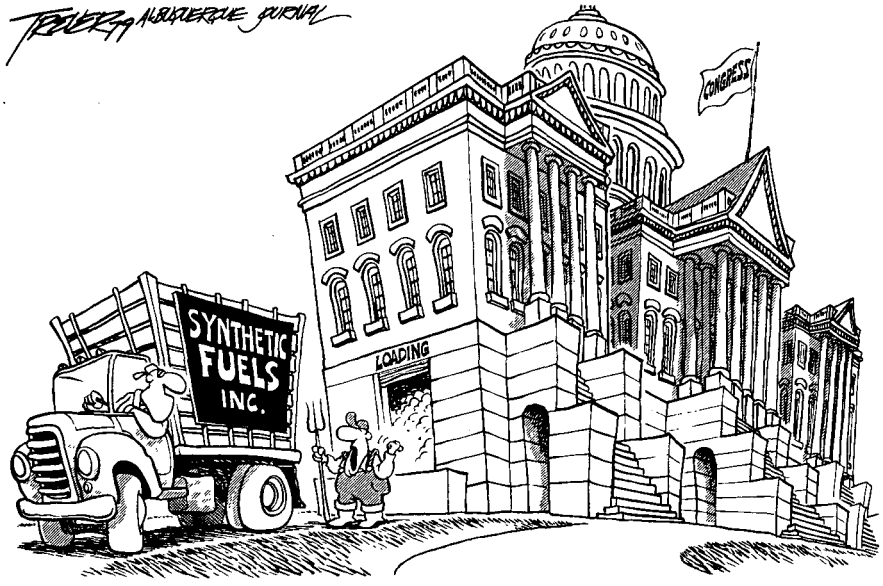
brickbats

☐ **The 1973 Endangered Species Act** was sold by the District of Columbia swamis as the sure-fire antidote for dwindling wildlife populations. It comes as no big surprise, of course, to find that the provision has damn-near killed off the Bengal Tigers and a host of other US animal populations. The extermination has resulted from the bureaucratic disease introduced by the act—a malady that spreads red tape in any animal's path before it may be shipped across state lines to mate with another animal of similar tastes and goals in life and of opposite gender. Permits for such activity take over a year to obtain, during which time the two interested parties could easily lose interest or find someone else less-suited for reproductive purposes. Interior Department officials are now seeking to upgrade the sex lives of the 639 endangered species by eliminating much of this red tape—that is, by repealing the last government cure.

☐ **A southwest Detroit** neighborhood that was attempting a local clean-up campaign had been having a helluva bad time with a dilapidated housing unit that was mucking up the environs. The residents decided to call the government in on the offending vacant home—and found that it *was* the government's property to begin with. Landlord HUD put the Sharon Street Block Club on hold for months before attempting to blame ownership of the slummy structure on a realty company. This ruse failing, HUD then accused a demolition firm of breaking an agreement to raze it and shrugged that this terrible wrecking company could no longer even be located. Persistent residents were able to find the wreckers, however; they got the firm's phone number from HUD. When the private citizens demanded that HUD produce a copy of the contract with the wreckers to ascertain just who had defaulted on whom, HUD's public servants told the vigilantes to mind their own business. The neighborhood desperadoes, taking the bureaucracy into their own hands, proceeded to communicate in terms the officials could understand: they filled a glass jar with legions of enthusiastic cockroaches from the palatial HUD estate and set the army on the desk of the area's HUD director. Days later, they were rid of the offending house.

☐ **Pres. Jimmy Carter,** following in the footsteps of popular 20th-century statesman Winston Churchill, has offered America one-third of the famous "blood, sweat, and tears" combination. As a result of his majesty's executive order for a 78-degree minimum on the summertime thermostats of all commercial and public buildings across the land, 1979 has been dubbed the year of the "long, hot, 5-day-pad summer." But a rare "bureaucratic foul-up" has allowed unscrupulous temperature setters to steal precious energy resources from the grasp of the Department of Energy problem-solvers in Washington by cooling some offices all the way down to a criminal 72 degrees. These culprits were able to get away with such chicanery between July 16 and September 1 and got off scot-free of the $5,000 fine (double that for "intentional" wrongdoing) because the fast and friendly government presses could not print up the nation-saving edicts quickly enough to keep up with the administration. A desperate Odom Fanning, official spokesperson for the diligent but unheralded Emergency Building Temperature Restrictions Program, invoked the oft-used "voluntary compliance" contradiction-in-terms to protect America from the menace of runaway air conditioning. Millions of private workers have since been heard telling many Washington spokespersons to go back to Fanning their Odoms.



"LET'S START WITH THE STUFF THEY'VE BEEN SLINGING AROUND IN HERE FOR THE PAST FIVE YEARS."

☐ **A new and improved** study of the effects of Proposition 13 has surfaced in the Golden State. While a preelection analysis by the UCLA Graduate School of Management had predicted a cataclysmic loss of 451,000 jobs if aggregate demand were so rudely interrupted, a study one-year-post-apocalypse has been able to utilize somewhat better data. The USC Graduate School of Business Administration has located a magical net gain of 552,000 new jobs, despite the loss of 100,000 public-sector jobs. The ruling class in China, however, seems to be threatened by a foe considerably more potent than the beast of Keynesian mythology—the ubiquitous Gang of Four. Thousands of new apartment buildings boldly created by dedicated central planners are the most recent legacy of the omnipresent hooligans; the evildoers are charged with having deprived the new structures of such luxurious amenities as water, gas, and electricity. Moreover, city roads are so often torn up that residents comment "we should put zippers on our roads." Peking's *People's Daily* reports that construction is "sluggish, disorganized, chaotic, and wasteful" and "sabotaged by the Gang of Four." Perhaps our own President Carter, ever-watchful for unpopular public menaces, should investigate whether the Gang has had similar influence on the US Department of Energy.

—Thomas Winslow Hazlett

trends

Communications Freedom Advances in Europe

What do West Germany, Poland, Sweden, Switzerland, Monaco, and Yugoslavia have in common that is not shared by Great Britain and Belgium? The answer is legal Citizen's Band radio. But that is no longer stopping British and Belgian CBers. Despite penalties of three months in jail and an $800 fine, an estimated 20,000 Britishers own and operate CB sets. A like number of Belgians are risking even more draconian penalties of up to a year in jail and a $2,700 fine.

There is agitation in both countries to legalize CB, and the CBers are arguing their case on freedom-of-speech grounds. "The issue is freedom of the airwaves and the people's right to talk to each other," states Patrick Wall, a Conservative member of the British Parliament. The organized opposition to legalization comes from Britain's Labor Party. Its main spokesman, Lord Wells-Pestell, puts the issue this way: "We have seriously to consider the enormous disadvantage of having a vast army of people who can communicate with each other very easily." The British Citizen's Band Association has put forth a legalization proposal that's expected to win support from the Thatcher government; a Belgian government promise to that effect got nowhere in the last parliament, but the Belgian CB Association is persevering.

Freedom in the regular broadcast portion of the spectrum is picking up some new support in Europe. In France, Socialist Party leader François Mitterand has been charged with radio piracy after twice having gone on the air in illegal broadcasts to advocate his party's views. Mitterand, while claiming to support a State monopoly on broadcasting, nonetheless was protesting the government's political control over broadcast information. In England the *Spectator* recently editorialized in favor of broadcast freedom. In criticizing BBC and (Ireland's) RTE commentators who protest State interference in program content, the editorialist wrote:

The broadcasters are in a weak moral position. Both are state-owned networks and, despite the more or less specious devices designed to disguise the fact, are in some degree state-controlled. The logical answer for libertarian broadcasters must be to do away with these networks and have only private enterprise broadcasting companies, as we have only private enterprise newspapers.

TIME for the Free Market

One could be excused for blinking but there it was, the *Time* magazine cover story for August 27: "To Set the Economy Right: The rising rebel cry for less Government, more incentive and investment." And there, heralded by a cartoon of John Maynard Keynes being toppled, were full-color photos of economists Arthur Laffer, Martin Feldstein, and Michael Boskin—all advocates of tax cutting, money-supply limitation, and cutting back government.

The upbeat article represents the coming of age of today's free-market-oriented, post-Keynesian "supply-side economics." When even *Time* magazine has gotten the message that government has failed at managing the economy; that taxation and regulation are among our chief problems; that the key to beating inflation, restoring the dollar, and licking unemployment is to revitalize production by restoring incentives, for both employers and employees, by slashing away at taxes and regulations—well, then, can *anybody* seriously line up with the Galbraiths of the world who still advocate higher taxes, bigger deficits, and wage/price controls?

Consider, further, that among the ideas being advanced by this generation of economists lauded by *Time* are (1) abolition of the personal income tax (Boskin), (2) abolition of the corporate income tax (Thurow), (3) dismantling tariffs, subsidies, and farm price supports (Nordhaus), (4) abolishing the minimum wage for teenagers (Laffer)—and you'll get some idea how far the anti-big-government philosophy has come among economists. Government management of the economy still has its advocates—but the initiative has now passed to those whose emphasis is on the private sector.

Tax Revolt Continues

Was Proposition 13 a flash in the pan? Don't you believe it. After California's pioneering grass-roots effort to cut back on government was voted in by a two-to-one margin, similar citizen-spawned property tax cuts passed in four states last fall, along with spending limit measures in five others (see Trends, February 1979). But that was only the prelude. Those elections apparently sent a message to state legislators that their constituents are serious about the tax revolt.

As a result, according to a *New York Times* poll, 37 state legislatures cut or limited taxes during their 1979 sessions. The government-cutting actions break down as follows:

- Twenty-two states have cut property taxes, ranging from reductions for the elderly to across-the-board cutbacks.
- Eighteen states have cut income taxes, either by reducing rates or increasing deductions and credits.
- Fifteen states have cut or narrowed sales taxes.
- Twelve states have reduced or repealed other taxes.

Despite all the legislative actions, further ballot measures are in the works. Colorado citizens are working to make statutory spending limits part of the state constitution. Other spending limits are scheduled for a vote this fall in California and Washington. An Ohio initiative would cut property taxes, as would a Florida measure to double homestead exemptions. California groups are seeking to qualify two tax-cutting measures. One, sponsored by Howard Jarvis, would cut the personal income tax in half and index it for inflation. The other, sponsored by Pablo Campos, would phase out the six percent sales tax over a three-year period.

Thus, as the *Times* headline put it, the "nationwide revolt on taxes show[s] no sign of abating."

Pacific Pullback Possible

At long last it looks as if the Japanese government is getting ready to assume a larger role in its own defense. If current plans are translated into programs, the need for a major western Pacific deployment by US military forces should be substantially reduced.

For 34 years since the close of World War II, Japan has maintained a miniscule "self-defense force" that could readily be overwhelmed by a Soviet attack. Although not required by law, defense spending has been limited to less than one percent of Japan's gross national

product. As a result, defense analysts have pointed out that:

- Japan's 155,000-man army has antiquated tanks and less than a month's supply of ammunition.
- Its 44,000-man air force has no hard shelters for its planes and little defense of its radar sites.
- The 41,000-man navy is considered ineffective against air attack. As a result, defense of the sea lanes supplying Japan's oil is entrusted to the US Navy.

Since 1977 the Defense Agency has been making the case for a build-up of its forces, and indications are now that the defense budget will be doubled—from $9.7 billion to $19.5 billion—between now and fiscal 1985. If carried out, the plan would add 39 warships, 100 F-15 fighter-bombers, 45 P-3C Orion anti-submarine patrol planes, eight E-2C early warning patrol planes, new tanks and other armor, and concrete shelters for at least two fighter plane squadrons. And all of that could be done *within* the one percent limit, if GNP expands as expected.

Opinion polls in Japan show a gradual increase in support for higher defense spending, and many defense analysts hope the one percent barrier can be broken through before many more years. That could only be good news for Americans tired of paying for half the world's defense.

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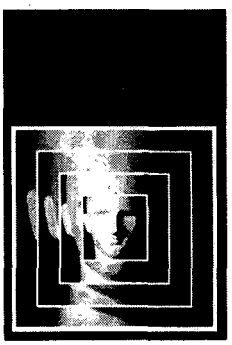

The Politicization of Society

Edited by Kenneth S. Templeton, Jr.

"The state has increasingly replaced the church in determining how we should behave," writes Oxford professor R. M. Hartwell in his introduction. "Politics is now religion." Fourteen scholars examine the central problem of modern society—the growth of the state—and its significance for the individual. They are Robert L. Carneiro, Felix Morley, Murray N. Rothbard, William Marina, Robert A. Nisbet, Jacques Ellul, Giovanni Sartori, Michael Oakeshott, Donald M. Dozer, Herbert Butterfield, John A. Lukacs, Jonathan R. T. Hughes, Butler D. Shaffer, and F. A. Hayek. Hardcover $10.00, Paperback $4.50.

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British Desocialization Proceeding

In rapid succession Britain's new government led by Margaret Thatcher is moving to undo the socialist accomplishments of the postwar era. First to go will be the special legal privileges of labor unions, which have hamstrung British industry. If Parliament goes along this fall, the government will outlaw the closed shop, ban secondary picketing (i.e., picketing of firms not a party to a labor dispute), require secret ballots in union elections, and protect union members from arbitrary expulsion for their views.

The second initiative will involve partial denationalization. The bill to be offered will change the legal status of British Airways to an ordinary company, and offer up to 45 percent of its shares to the public—with special preference for the airline's 57,000 employees. The major aerospace firm, British Aircraft Corp. (only nationalized in 1977 by the Labor government)—will also be converted to a private firm, with about half the shares sold to the public. Former owners of the nationalized firms may get first preference in buying the shares. Both British Aerospace and British Airways will now be expected to raise the capital they need from commercial sources, rather than the government. Overall, the government hopes to raise $2.3 billion from the sale of these firms.

In addition, government subsidies to industry are to be cut. Shipping subsidies are to be scaled back from $195 million to $150 million next year, $125 million in 1981, and zero thereafter. The government's National Enterprise Board, set up to rescue ailing firms but recently acting as a venture capitalist, will be scaled back (by $230 million) to its original purpose—"a casualty clearing station and a temporary home for lame ducks." Minister of Industry Sir Keith Joseph has announced a 20 percent cut—$500 million—in the level of aid to regional industry over the next three years. Finally, the government has announced the abolition of its Price Control Board and stated that it has no intention of controlling wages and prices.

Unfortunately, the picture is not completely rosy. Economist Arthur Laffer has criticized the Thatcher government's tax policies, pointing out that the cut in income taxes will be more than made up for by the increase in value added (sales) taxes. Accordingly, he argues, there will be little real economic benefit from the

income tax cuts—especially if consumers demand higher pay to cope with sales taxes and thereby get pushed into higher tax brackets. Thus, says Laffer, the new government "is repeating the conventional mistakes of conservative governments everywhere."

Education Alternatives in California

Despite the continued decline in school-age population in California, enrollment in private schools has been steadily increasing. The *San Francisco Chronicle* has pointed out that while public school enrollment has sunk from 87,000 in 1970 to about 60,000 today, private school enrollment has stayed constant. And elsewhere in the Bay Area, "non-public school enrollment has increased steadily for the past five years." This growth is occurring despite the fact that parents choosing private schools have to pay twice—once for private tuition and again, in taxes, to support the public schools.

Next spring, Californians may have a chance to remedy that situation. Two petition drives are under way to place initiative measures on the ballot that would put the choice between public and private schools on a more equal footing. One is a voucher proposal, drafted by two liberal law professors—John Coons and Stephen D. Sugarman. Under their proposal today's public and private schools would continue undisturbed, but two new kinds of schools would be added: public scholarship schools and private scholarship schools. These nonprofit schools would be eligible for vouchers from the state, an idea first proposed by Milton Friedman, but extensively modified by Coons and Sugarman to be more egalitarian. Already, the public school establishment has mobilized to fight the proposal; the Los Angeles school board has even allocated $55,000 of the taxpayers' money to "attack" and "fight" the voucher proposal. "I want the best possible shot at defeating it," says Board president Roberta Weintraub. "We may all be out of work."

While the voucher plan is being pushed by a coalition of conservatives and liberals, a different group is promoting an educational tax credit initiative. Libertarians, taxpayer groups, and some private school groups hope to qualify a plan that would allow taxpayers a tuition tax credit of up to $1,200 per year for each student supported in a private school—kindergarten through college. It would also prohibit the state from adding any new restrictions on private schools beyond those in effect on June 1, 1979.

Predictions about these two efforts are premature, since neither has yet qualified for the ballot. But if either or both gets on, June 1980 could see major attention focused on the schools of the Golden State.

Cable Adds Services—And Finds Competition

The alternative TV industry continues to boom. Scarcely a month goes past without another new firm or service being announced. Over the summer two more cable services made their debuts, and Comsat announced plans for a powerfully competitive service.

The new cable offerings are sports and music—on a nationwide basis. The Entertainment and Sports Programming Network—a $10 million subsidiary of Gettv Oil Co. —began operations on September 7. Offering its programming to cable systems at the bargain rate of 2.5 cents per subscriber per month (compared with 4 to 10 cents for most other program services), ESPN will feature Davis Cup tennis, women's professional golf, NCAA events not already under contract to the networks, and sports-oriented

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- How to select and use outside professionals. (See page 90.)
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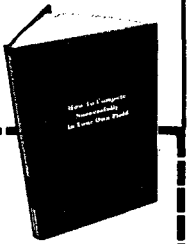

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newscasts and interviews. ESPN is selling national advertising (with Anheuser-Busch the first to sign up) and reserving 20 to 30 percent of the commercial time for local advertisers.

For those who prefer music to sports, a nationwide classical music "super-station" is getting set to begin. Chicago's WFMT—an unconventional, highly profitable classical station, considered by some to be the finest in the country—has made a deal with United Video to transmit its signals via satellite to cable systems coast-to-coast. Cable subscribers will be able to hook it up to their FM receivers or TV sets or both.

Just when cable companies were starting to look fat and happy, along came Comsat, on August 2, and dropped its bombshell: by 1983 it plans to be offering direct satellite-to-home TV broadcasting, bypassing both the networks *and* cable systems. Comsat plans to offer four to six channels of programming, featuring first-run movies, sports, educational and cultural programs, news, and public affairs. A monthly fee of $15 to $22 would cover the programming, rooftop antenna, and a decoding device to unscramble the signal.

"All the technology is available now," said Comsat representative Judith Elnicki at a Washington press conference. The system would utilize a very large, high-powered satellite, to enable small, three-foot diameter rooftop antennas to pick up the signal. A single satellite would blanket the entire country. Cable system operators reacted to the Comsat announcement with caution. It will be interesting to see how these erstwhile advocates of competition (with the networks) deal with their first *real* competition.

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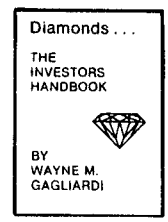

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Space Privatization Update

Privatization of space exploitation, reported on here last month, is not limited to the United States. European space efforts show the same trend.

The European Space Agency's "Ariane" launch vehicle, a competitor to the US Space Shuttle, is now going to be privatized as well. European aerospace firms have set up a joint commercial satellite-launching company, with a capitalization of $70 million, to take over the Ariane program. According to *Aviation Week*, "the organizers of the new venture believe only a commercial entity will be able to build less costly launchers that can compete successfully against the US [NASA] Space Shuttle."

The new firm, not yet named, is not completely private, since the French national space agency, CNES, holds 34 percent of the shares, but it will operate as a strictly commercial enterprise. French firms hold 25.25 percent of the shares, German firms 19.6 percent, Belgian firms 4.4 percent, and companies in other countries the balance. From 6 to 10 European banks are expected to become shareholders eventually. The new corporation hopes to be able to start signing contracts in January 1980 for long-lead items for the second production run of Ariane launchers.

Health Care Incentives

From California come two examples of how changed incentives can lead to reduced health care costs. Both concepts involve insurance programs.

In one case, the innovator is a health insurance company—Health Maintenance Life Insurance Co. of Long Beach. Their idea is to give patients an incentive to avoid unnecessary hospitalization. The carrot? If the patient obtains authorization from the company prior to entering the hospital, it will pay 100 percent of the bill. The stick? Without authorization, the company pays only 80 percent. The results, to date, have been quite impressive. Compared to the national average of 750

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to 800 days in the hospital per 1,000 persons insured, Health Maintenance Life's average was 510 last year and down to 450 in the first quarter of this year.

The other story originates in the Mendocino County Office of Education. That agency's 150 employees are now covered by a new form of health insurance—"stay well" insurance—that promises significant cost savings. The office still obtains insurance from Blue Shield, but instead of first-dollar coverage, it buys $500 deductible and self-insures for minor expenses, by setting aside $500 per employee in a special account. But the new twist is that employees can receive a portion of that $500 (per year) back when they leave or retire, to the extent that they haven't used it by putting in minor claims. Over the next 10 years, the agency expects to save over half a million dollars with this plan. If applied to all two million government employees in California, the plan could save $6 billion over the next decade.

The point of both examples is that there is a lot of inefficiency in today's health insurance/health care system. Changing the incentives within that system can do a lot to save money—and perhaps stave off nationalization of health care.

Milestones

• *Bowing to Reality?* Losing $2 million a month operating four Concorde jets, Air France is considering grounding the controversial planes. The supersonic Concorde uses 16 times as much fuel per passenger as the subsonic 747, and the subsidy is costing French taxpayers $1,000 for each passenger flown.

• *Truck Deregulation.* California is proceeding with deregulation of trucking within the state. In August the state Public Utilities Commission abolished rules fixing minimum rates for general freight operations, effective next January 31. The decision frees 9,200 general freight trucking companies to set their own rates competitively.

• *Cancer Aid.* To ease the suffering of cancer patients undergoing chemotherapy, California doctors may now use marijuana as part of the treatment process. California becomes the 14th state to enact such a measure.

• *Stop Milking Consumers.* New Jersey may join the ranks of states decontrolling milk prices. The Byrne administration is seeking to abolish the state's minimum retail price regulations, charging that they are unnecessary and against the interests of consumers. The state's Office on Policy and Planning estimates that prices could drop as much as 10 cents per gallon.

• *Harassment Ending?* A federal law requiring visitors from abroad to submit to examination by the Public Health Service before being allowed to enter the country—if they are suspected of being homosexuals—is being challenged in court in San Francisco. Pending resolution of the dispute, such persons are not being detained by immigration officials.

• *Piggyback Deregulation.* In the interest of conserving energy, the ICC wants to encourage more truck trailers and containers to ride the rails, piggyback on flatcars. So it has proposed deregulation of this segment of the railroad industry and asked for public comment.

• *Costly Fuel Economy.* A government study has concluded that the government's 1981-84 fuel economy rules for automobiles would cost more than they would save. Based on an average gasoline price of $1 per gallon, the Commerce Department study found that the cost of making the changes would exceed the value of gasoline savings by $2 billion. Moreover, the study said the fuel-economy program would give a competitive edge to the largest firms, like GM and Ford, which can afford the huge investment more readily than less-well-off Chrysler and American Motors.

—Robert Poole, Jr.

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Free and Unequal

By Roger J. Williams

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WHO'S BANKROLLING THE UFW?

BY PATTY NEWMAN

A story of fraud and illegality involving Cesar Chavez's union and people in power

Just east of Bakersfield, California, on an isolated 200 acres formerly owned by Kern County and then used as a tuberculosis sanitarium, lies La Paz, national headquarters of the United Farmworkers of America, AFL-CIO. Chain link, barbed wire, and patrolling security guards discourage intruders. No one gets in without precise permission — not even a taxpayer who would like to see some of the sophisticated equipment his money is buying for Cesar Chavez's union.

In 1978 the spun-off organizations of the United Farm Workers were awarded nearly two million of the taxpayers' dollars. What the money is being used for, it turns out, is shrouded in mystery, sometimes as carefully guarded as the grounds at La Paz. And that $2 million is just the tip of the iceberg, just one part of the political wheeling and dealing in which Chavez and the UFW are engaged.

Last spring, Dave Kelley, a freshman California assemblyman who is a friend of mine, sent me a copy of a grant application submitted to the federal government by the UFW's National Farmworker Service Center (NFSC). "What do you make of this?" he asked. Some preliminary checking turned up more questions than answers. What *was* that money being used for? Thus began a six-month effort to collect pieces of the puzzle and figure out how they fit together.

Central to the mystery is Cesar Chavez. Many people will be reluctant to believe anything that could cast a shadow over this man. He is a durable folk-hero. As he tours the country giving speeches and raising money for strikes or boycotts, Chavez wins favorable headlines and warm interviews. Everywhere, he is sympathetically heard. Everywhere, emotions run high. Not unusual is the reaction when he visited the boycott picket lines at a supermarket last March: "Cries of 'Viva Cesar Chavez!' drowned the noise of traffic," reported the *Los Angeles Times*. "Some fought tearfully through the crowds for a chance to shake his hand or just touch him on the shoulder." Could this revered man, behind the scenes, be involved in the misuse of federal funds, and possibly in fraud? And to what end?

A crucial link in the intrigue and secrecy is the network of nonprofit, tax-exempt organizations set up and run by Chavez and other UFW officials, all headquartered at La Paz (see chart on p. 21). These organizations are variously funded by contract-mandated employer contributions, by private donations, by government grants, and by employee investments or contributions. There is no proof that these funds are comingled, because the UFW has steadfastly refused to divulge financial details. In a current suit brought against the union by members, the UFW is trying for an out-of-court settlement rather than comply with a subpoena for all of its financial records. In another case, growers have taken the UFW to court over its refusal to provide actuarial data, cost-benefit ratios, and other information about employer-financed medical and pension plans. Why the secrecy? Is it because some of

these funds come from the taxpayers, with stringent conditions on their use? Or because some of the funds are being poured into union activities rather than the purposes for which the organizations were set up?

In 1978 one of these organizations, the National Farmworker Service Center, was awarded $1,950,908 in five separate federal grants. Whether as a measure of his full confidence in Cesar Chavez or to earn political points, Jerry Brown, when it came to these grants, waived his right as governor to see and sign federal grants to anyone in the state of California. Thus he gave to Chavez—the man who nominated Brown for president at the 1976 Democratic convention—carte blanche approval of anything requested.

Well-placed friends round out the cast of characters in this story. Not only Gov. Jerry Brown but Sen. Edward Kennedy, other ambitious politicians, and activists like Jane Fonda and Tom Hayden all are regularly photographed at Cesar Chavez's side and regularly take a part in the Chavez drama. Federal bureaucrats have joined in with marked eagerness to come up with taxpayers' money for his organizations. Is it Chavez's widely remarked magnetism that explains all this? Is it genuine support for a genuine cause? Or is it that Chavez, as spiritual leader of one of the largest minorities in the United States and countless sympathizers with his cause, commands hundreds of thousands of votes? And perhaps millions of politically directed dollars?

UPI

Cesar Chavez at La Paz

HOOKING UP THE UNION

In 1978, in two separate grants, federal agencies awarded three-quarters of a million dollars of taxpayers' money for the construction of a "Farmworkers Telecommunication System," a complex microwave network to extend from northern California to the Mexican border. It is to be one of the largest and most elaborate systems in California, if not the whole country, with capabilities including private-line telephone, television, FM, and two-way radio. The Community Services Administration (CSA, successor to OEO and its War on Poverty) approved $601,692 toward it, and the Department of Health, Education and Welfare (HEW) another $195,315, for a combined total of $797,007, to go almost entirely to the purchase of equipment and leasing of mountain-top sites. Such grants are renewable two times, so the amount of money involved could top $2 million.

According to the grant application, submitted by the UFW's National Farmworker Service Center, 14 mountain-top relay towers are to form the spine needed to connect 28 of their regional Campesino Centers and all of their farmworker clinics. The application was submitted both to the CSA and to HEW and was the basis of their funding. Cesar Chavez signed the grant award. Gov. Jerry Brown waived his sign-off authority. But apparently no one checked out whether those Campesino Centers and clinics really exist.

The application clearly states: "At present [August 1978] there are now in existence some 18 Campesino Centers, with ten more to be opened by mid-1979. These centers are located along every major farm worker migration route and in every major agricultural area in the state (see map in Figure I)." The wording is precise; the map specifically shows 18 cities.

Throughout the grant application there is continual reference to the current existence of these centers: "Campesino Centers, which provide a variety of social services"..."unable to find any other means to effectively link our centers together" [telephones?]..."a system servicing regional Farmworker Service Centers located throughout California"... "Campesino Centers have established mobile teams"....Over and over again you read about these centers and what they do for farmworkers (help them deal with the forms and agencies connected with welfare and unemployment benefits, immigration, income taxes, housing, etc.). Connecting these centers and NFSC clinics by a microwave telecommunication system is the sole point of the grant.

Except for La Paz itself and two other places, the phone company carries no listings in 1978 or in 1979 for any Campesino Center or any Farmworker Service Center in any of the locations listed in the application. (The Delano directory lists a Campesino Center at the UFW's number; San Ysidro shows a center at the union's address but with a separate number). Yet the application states that this telecommunication system is to provide "low cost communications between farm worker centers—savings in telephone costs which now exceed $150,000 annually."

So what *is* at the sites listed as Campesino Centers in the grant application?

Installation of microwave equipment requires an FCC license, and a trip to the FCC's San Diego office showed that the NFSC had obtained licenses for the installation of dish antennas at 7 of the 28 Campesino Center sites. With the longitudes and latitudes from the licenses, and using US Geological Survey 7½-minute maps, I plotted the exact locations where equipment would be placed. There are only union office-hiring halls at these locations. Except in San Francisco, where there is a building owned by the Delancey Street Foundation. And except in Los Angeles, where there is a vacant lot. That Campesino Centers are located at union office-hiring halls is never mentioned or in any way even implied in the grant application.

The obvious question is how large, cumbersome, relatively permanent microwave dish antennas can be attached to offices that move from place to place.

One of the conditions signed by Cesar Chavez before funds could be released for this grant required compliance with two pages of minutely detailed regulations regarding the prohibition of using "equipment or facilities, purchased or leased, with Federal Funds, in whole or in part," for any union activity. In no way can equipment purchased with this grant money legally be used by the UFW labor union. Perhaps that prohibition explains the UFW's evasiveness surrounding any question about the exact location of these centers.

When I called Ann McGregor, director of the Campesino Centers, requesting a listing of their street addresses, I received an evasive denial. "We cannot give this information out over the phone. If you will write us . . .," she said, talking from La Paz. Since the addresses of union offices are known, it seemed unlikely that this was a concern for security. And when I asked her why, she vaguely answered that the centers are "operated on a temporary basis based on where the current need is most demanding." The obvious question is how large, cumbersome, relatively permanent microwave dish antennas can be attached to offices that move from place to place.

McGregor, when pressed, stated that there are a number of permanent centers. Pressed again: "There is one in Calexico." Address? "Second Street and Imperial."

The phone company has no listing for a Campesino Center in Calexico. An on-site visit to Second Street and Imperial showed nothing but a small, windowless office with the union's name and flag symbol on the front door and a large antenna on the roof.

Calexico union building with microwave antenna

A few weeks later I made another call to La Paz, again requesting the exact addresses of the centers. This time Marc Grossman, Chavez's press secretary, did the evading.

MG: Well, I don't mind telling you where they are—but I don't understand why you need the street addresses.

PN: We [I was working with another reporter at the time] would like to visit one of them.

MG: Oh, I see. Well, that could be arranged.

PN: All right, fine. But in the meantime I'd like to know how many centers there are and their street addresses.

MG: Uh huh—[pause]—well, there are quite a few of them.

PN: Okay. I can take the info down over the phone very quickly.

MG: I—I can give you quite a few just from my own memory.

PN: Okay.

MG: Well, we have them in Watsonville and Salinas.

PN: Can you give me the street addresses? Are they listed in the phone book?

MG: They're probably not listed. You know, you would have to go through us here at La Paz if you would want to go to one. If you just call them directly, they would just refer you to me.

PN: Okay, we'll call you. But you have a center in Watsonville? Can you give me the street address for that one?

MG: I don't have it with me. I'd have to look it up.

PN: Would you look it up for me? I'd appreciate it.

MG: Again, I'm just a little hazy why you want the address. It's just not the usual request, you know.

PN: Yes, but I don't understand why you are so hesitant to give them to me. I know you have union offices in certain places, and those addresses are known.

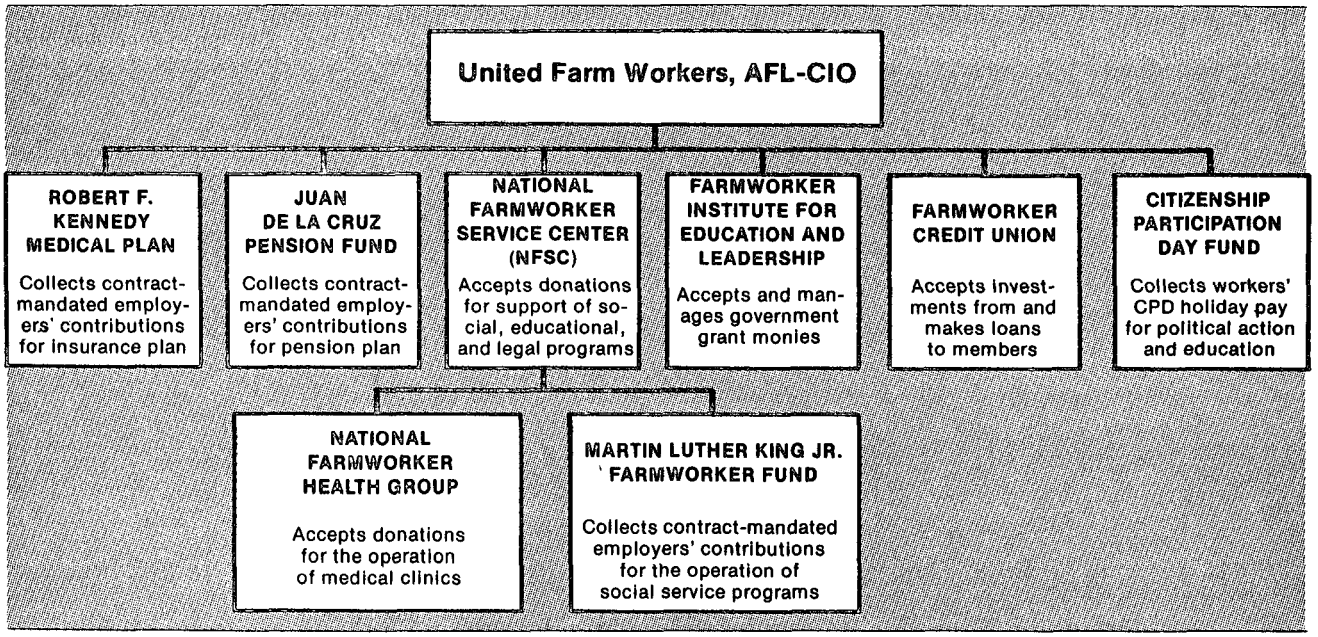
MG: Well, most of the Campesino Centers are located at the union—at the same place as the union offices. Well, most of them, at least. At least in California.

PN: Do you know which are not located at union offices?

MG: Uh, I don't know. There might be some out-of-state.

PN: All right, but isn't the main purpose of the Farmworkers Telecommunication System to link up these centers?

MG: Right. The main purpose of the Farmworker Telecommunication System


United Farm Workers, AFL-CIO
ROBERT F. KENNEDY MEDICAL PLAN
Collects contract-mandated employers' contributions for insurance plan
JUAN DE LA CRUZ PENSION FUND
Collects contract-mandated employers' contributions for pension plan
NATIONAL FARMWORKER SERVICE CENTER (NFSC)
Accepts donations for support of social, educational, and legal programs
FARMWORKER INSTITUTE FOR EDUCATION AND LEADERSHIP
Accepts and manages government grant monies
FARMWORKER CREDIT UNION
Accepts investments from and makes loans to members
CITIZENSHIP PARTICIPATION DAY FUND
Collects workers' CPD holiday pay for political action and education
NATIONAL FARMWORKER HEALTH GROUP
Accepts donations for the operation of medical clinics
MARTIN LUTHER KING JR. FARMWORKER FUND
Collects contract-mandated employers' contributions for the operation of social service programs

—the microwave—is the linking of the Farmworker Service Centers from northern California to the Mexican border.

PN: All right, now what I want is a specific list of those centers and their street addresses.

MG: I just—it's—it's just such an unusual thing to want the exact addresses.

And it went round and round in the same manner with the ending agreement being that he would get back to me. He never did. But the repetitious conversation did confirm that what service centers there are have their location in UFW union office-hiring halls.

An HEW memo summarizing the telecommunication grant confidently states: "Both non-union and non-Chicano farmworkers would have access to the services provided by this system. Our understanding with the project director, Ken Doyle, is that this is the case." Yet it becomes less than academic to wonder how comfortable a farmworker who belongs to a competitive union, or who refuses to join any union, or who is employed as a farmworker by a company the UFW is striking—how comfortable he would feel about seeking services from a UFW hiring hall.

In fact, the Campesino Centers were set up to serve UFW members. The Martin Luther King Fund, which operates these centers, is financed by contract-mandated contributions from employers, and the trustees of the fund are instructed by its Declaration of Trust "to give preferential consideration to charitable purposes which may be related directly or indirectly to the welfare or needs of the agricultural laborers employed by the Employers [that is, growers who have signed contracts with the UFW]." In the course of the telephone conversation, Marc Grossman acknowledged that the benefits from these service centers "probably would" go basically to UFW members. Contacted by letter on this issue, he stated that "the Campesino Centers do service farm workers who are not members of the UFW," but he ignored the request for an estimate of what percentage this might be.

The grant application also puts heavy emphasis on using the Farmworker Telecommunication System to link up farmworkers' clinics. Again, there is continual reference to the current existence of these clinics: "doctors and nurses in the clinics operated by the Farmworker Service Center" . . . "visiting nurses to remain in constant communication with the doctors at the clinic"... "transportation of a patient by ambulance to the clinic"..."facsimile machines will speed copies of patient records from one clinic to another".... Four consecutive pages are devoted exclusively to the need to link up these clinics to one another and to La Paz, to metropolitan hospitals, and to mobile units in the field and labor camps.

July 25, 1979—phone conversation with Marc Grossman at La Paz:

PN: How many medical—health—clinics does the UFW or any of the organizations at La Paz currently have in operation?

MG: One.

PN: One? Where?

MG: Coachella.

PN: In the past how many have you had?

MG: About four or five.

He explained that it was difficult to get doctors to work in these clinics and something about moving them around to peak harvest areas. I asked if they plan to continue this mobile approach.

MG: No, because in those days we didn't have a medical plan. Now a worker can receive medical benefits under this plan—the Robert F. Kennedy Plan. He can go to his own physician. There's just not much need for them to have their own clinics. Also, we have a program in Mexico—Mexicali, developing one in Tijuana and San Luis—where workers can receive medical benefits where they live. They don't need to come to this country.

PN: But in the States there really isn't the need for you to spend money on clinics because now you have the medical plan going? So clinics here in California aren't going to be active any more?

MG: No. Not anywhere in the near future.

Note: That medical plan was established in 1969, nine years before the filing of a grant application that repeats time and again the need to link these clinics together. (The 1976 IRS annual report from the Robert F. Kennedy Medical Plan shows net assets of $4.8 million at the end of 1975 and $5.3 million at the end of 1976. Obviously, the plan is well established.)

About that one clinic in Coachella. A phone call to the clinic, which is listed in the phone book as a UFW health clinic, yielded a hesitant denial that it is a UFW clinic. So I called Grossman again. After confirming that I had the right number in Coachella, he said he would call me

back in a few minutes, which he did.

MG: I placed a call down there. This health clinic is not associated with our clinics. [*What* clinics?]

Later, I confronted Grossman with the emphasis on clinics in the telecommunication grant application. When I read some of the paragraphs emphasizing these clinics, he asked where those quotes came from. From a copy of the application, obtained from Washington, D.C., I assured him.

MG: We didn't give them those examples.... We never intended to have the clinics be the primary purpose of the—or even a substantial purpose of it. We certainly wouldn't say that when, at the time the appli was made, there was only one or two clinics in existence.

PN; That's precisely the point.

MG: All right. I don't know what some PR man in HEW thinks up.

He did point out that the telecommunication system would be used to give hospitals and doctors immediate clearance on the eligibility of farmworkers under the medical plan, that (as the grant application also states) "the influx of calls has inundated regional service centers and La Paz, where central records are kept." I called four hospitals in the major farming areas. Each said they have had no trouble with verification—they call either the union hall or La Paz directly, and there have never been any delays. The average was about 20 patients a month, mostly pregnancies and children's illnesses (worker's compensation covers any work-related illness or accident).

I also asked Grossman how their telecommunication system was progressing. (The 15-month CSA grant terminated on August 31, 1979; the 12-month HEW grant runs until December 15, 1979.) They were not only on schedule but "ahead of schedule," he said. They expected Phase I (the completion of 14 mountain-top relay towers and link-ups among five Campesino Centers, two major urban centers, and La Paz) to be transmitting by December.

Again using 7½-minute maps and the longitudes and latitudes from the FCC licenses, I charted the location of each mountain-top site, then contacted the owners of the property. Of the seven scheduled mountain-top sites south of La Paz, no leases have been consummated. Of the seven sites north of La Paz, two have just recently been leased and equipment installed. (Yet on September 5, *1978*, CSA director Grace Olivarez received a memo from her assistant director, Robert N. Smith, stating that "the mountain-tops [14] are leased by the NFSC for 99 years.") The telecommunication grants have been in effect for 15 months, only two sites have even been leased, and Chavez's press secretary declares that all 14 will be transmitting by December.

Effecting the project as outlined in the grant application seems to be a pervasive problem. One mountain-top property owner commented that he had warned the "UFW man" that his site could only be reached by helicopter in the winter, but "that didn't seem to worry him." The CSA grant provides for the purchase of a 4-wheel-drive 3/4-ton pickup with #8000 winch, a light pickup truck with equipment shell, a snow vehicle, an AC generator, and a 24-volt battery bank (total cost to the taxpayer: $19,970). Perhaps the purchase of a helicopter will come with the grant's renewal.

Experts in the field of telecommunications, asked to look at the detailed specifications of this vast system, raised serious criticisms. All doubted that it could be built for the initial grant amount (one expert put a $2 million estimate on the job—a figure quite close to the amount that could come through with the allowable renewals of the grants). All questioned the length of some of the mountain-top jumps (one—from Loma Prieta to Mt. Bullion—exceeds 100 miles, considerably over the recommended 30-40 miles). And most disapproved of the specified two-man crew working out of La Paz to maintain a state-wide system.

It is interesting, then, to note an HEW statement:

> *The selection of [telecommunication] projects was made painstakingly.... Some 30 panelists, representing expertise drawn not only from* HEW *agencies, such as the National Institute of Education, the National Institute of Health, and the Rehabilitation Services Administration, but also from such Fed-*

eral agencies as the National Science Foundation and the National Telecommunications and Information Administration, reviewed the proposals.

The farmworker project particularly impressed our panel. . . .

Effecting the project in accord with federal regulations also seems to be a problem. One of the special conditions of the CSA grant was that no contract involving the expenditure of more than $5,000 in grant funds to any individual or firm "be entered into without the prior written approval of the CSA project manager." Yet one company, when contacted, stated that delivery had been taken on over $100,000 worth of equipment, which is reportedly being stored at La Paz.

Under the Freedom of Information Act, I requested from CSA copies of contract approvals under the grant's special conditions. "Please find enclosed all documents which exist in CSA files at this time [July 23, 1979]," said the reply. There were no copies of any contract approvals included in the small packet sent to me. Yet a Federal Cash Transactions Report showed that $175,652 had been spent on equipment as of the end of March.

Taking in the whole picture of the circumstances and events surrounding these grants, it would seem that there has been little concern for some of the technical details of the project, for compliance with requirements, or even, from the very beginning, with whether the project is needed for the stated purposes. There are currently no health clinics to use this microwave system, and none planned for the future; and if there really are Campesino Centers, they are all but exclusively for union members' use and are admittedly located in union office-hiring halls. So it seems obvious that this telecommunication system is to be nothing more than the United Farm Workers' publicly financed private phone, television, FM, and expansive two-way radio system serving union headquarters and regional union facilities.

If a union building is hooked into a microwave telecommunication system, it is impossible to determine whether calls are made on it for union activities unless every single call is monitored. Would the UFW be willing to submit to such a loss of privacy?

Use of this federal grant's monies for union activities is strictly forbidden. HEW apparently had no qualms:

. . . the CSA grant for the larger part of the system includes prohibitions against use for various union activities which we felt would adequately cover the overall system, including the part we funded, against this type of activity.

Yet a novice, given the facts, would conclude that union use of this system was inevitable. A skeptic would conclude that it was designed that way.

Thinking as a labor union organizer, it would be most convenient to have at no cost instant communication from field to local union hall to union headquarters. Strategy, instructions, maneuvers, would be private, instantaneous, and for free.

UNDERWRITING CREDIT

The federal government is spending $349,115 of taxpayers' money to bail out the UFW's allegedly floundering credit union. Although only UFW members and their families are eligible for credit union membership, the grant was applied for not in the name of the UFW or the Farmworker Credit Union but in the name of the nonprofit, tax-exempt National Farmworker Service Center.

In its 17-year history the Farmworker Credit Union says it has loaned out about $4 million. Yet in all this time it has been unable to reach economic self-sufficiency —according to CSA, the granting agency.

Figures from the California Department of Corporations reveal that the Credit Union has a considerable bad-debt problem. In 1975, loans more than 24 months delinquent totaled $39,484, some 14 percent of all loans. Although $26,000 of these uncollectible loans were written off the next year, the total began climbing again, reaching nearly $32,000 by the end of 1978. At the same time, membership and loan activity have been declining. Membership slipped, from 2,151 in 1975 to 1,658 in 1978, while the number of loans granted each year plunged from 134 to 70. Yet the average amount loaned climbed from $514 in 1975 to $1,881 in 1978.

No one at the CSA ever asked rudimentary questions regarding the Credit Union's history, its bad debt rate, its source of funds, or expenses versus revenues.

A casual reader of the grant application would assume he'd spotted the reason for the Credit Union's economic woes: not mismanagement, but essentially giving away money. "All of these loans have been made at the low interest rate of 1%," says the grant application. And Chavez has referred with pride to the one percent loan rate, so that "farmworkers can borrow at little cost." One member of the CSA Project Review Board had the temerity to bring up the subject at a review meeting:

There's no discussion as to how the credit union will sustain its funds. They will be making their loans at 1%, but presumably will have to give out 5 or 6% on their savings, in order to get people to join the credit union. They'll be losing money. How will they get around that?

No answer—the discussion just went on as if the question had never been raised.

Judging from the minutes of the review meetings, nobody at CSA ever bothered to obtain the Credit Union's annual reports to the California Department of Corporations. Nor did anyone ask rudimentary questions regarding the Credit Union's history, its bad debt rate, its source of funds ($4 million obtained from 1,600 poor farmworker members?), or expenses versus revenues. And they never took seriously the question how *any* lending institution could hope to be financially sound making loans at one percent.

Had they telephoned the Credit Union office at La Paz and asked, as I did, they would have learned that the UFW's Farmworker Credit Union charges borrowers, not one percent per annum, but one percent *per month* (12 percent per year). And 12 percent is certainly no bargain for the farmworkers, especially when most credit unions have been charging between 9 and 10 percent. In fact, until last year 12 percent was the legal limit under California law (it's now 15 percent).

But more astonishing still is the fact that the Credit Union is paying nothing to its hard-pressed depositors for the use of their money. On the reports to the Department of Corporations there's a zero entered under the category "Dividends [interest] paid during the year" for each of the past four years (the only years for which records are available).

The same reports show net "profits" averaging over $10,000 per year for the same four years. But that is not to say that the Credit Union is financially sound. It's easy to show an excess of receipts over expenditures—despite a 14 percent bad-

CREDIT UNION GRANT BUDGET
(2 YEARS)

Salaries and fringe benefits (manager, loan officer, education director, and nine "volunteer" trainees)	$155,400
Regional office rent (6 offices first year, 9 second year)	36,000
Utilities	13,500
Postage	7,500
Consumable supplies	6,900
CRT terminal lease	15,600
Bonding and insurance	3,000
Printing	8,000
Copying services	3,480
In-state travel costs	13,800
Convention and out-of-state travel costs	5,000
Operating Costs—subtotal	$268,180
Equipment (typewriters, bookkeeping machines, file cabinets, adding machines)	$5,635
Telephone and facsimile equipment	13,200
Computer software	40,000
Bilingual material development	22,100
Capital Costs—subtotal	$80,935
TOTAL COSTS	$349,115

debt rate—if you don't list any expenses for staff, rent, or utilities, which the Credit Union doesn't (until it came to a grant application, that is). What the Credit Union clearly needed was an honest financial analysis to back up a plan to turn it into a businesslike operation.

But this, it becomes clear, is not what the grant is all about. Although the application acknowledged the need for some kind of plan, it promised to develop one *during* the project—after the money had begun flowing in. When a senior staffer on the Review Board recommended having a planning stage *first*, before pumping in money, the project director replied:

No, I don't think so. Doing this project in stages would lead to some problems we don't really need. I feel very strongly that this money needs to get out to the UFW *right away, with no phasing.*

Why, one wonders, the haste?

A review of the budget for the two-year "technical assistance" grant reveals that only $80,935 of the total—only 23 percent—is for one-time improvements like facsimile equipment, adding machines, computer software, and the like (see Table above). The vast majority of the money is going to pay operating expenses —salaries, rent, utilities, travel, etc.— with no advance indication that two years of heavy subsidization will lead to an economically viable operation thereafter. (That's why sound practice would have been to require a financial plan up front.)

Throughout the whole approval process, the union's claims were taken on faith. True, the CSA project director *did* say she had visited La Paz and seen their current operations. "The Credit Union that exists now is very primitive," she said. "Basically Helen Chavez does everything by hand." (That everything-done-by-hand statement is also in the grant application.) Yet just a little digging would have revealed that La Paz has had computers since 1972. "We use several kinds," Marc Grossman told me. "We had a big computer that was too big for us and we got rid of it and got another one. We have financial management computers, word-processing computers, membership-computing computers where membership records are stored—and benefit records for the medical plan and other employee benefit plans."

With a simple telephone call, the CSA Review Board could have found out that the Credit Union charges borrowers, not the implied one percent per annum, but one percent per month.

The grant application states that many of the other "farmworker components" at La Paz have funds invested in banks and savings institutions and are prepared to invest "whatever amount of this money is necessary for as long a time as is necessary" to make the Credit Union effective. So if the Credit Union needed help, why didn't the Review Board go to Chavez for these monies, rather than using taxpayers' funds?

One final point removes any doubts about the purpose of the grant. Not only are these tax dollars being given to a private organization—a credit union to which only UFW members can belong—but they're also helping to pay the costs of running the UFW itself. Returning again to the minutes of the Review Board's meeting:

C: Can you discuss the six offices mentioned in the proposal?

B: These are the outreach offices which also serve as union halls. Communication will be through the microwave system.

So the taxpayer is footing a good-sized portion of the bill for utilities, equipment, facsimile machines, CRT terminals, and computer software for six of Cesar Chavez's union office-hiring halls.

LEARNING AT LA PAZ

The most publicized federal grant to Chavez's organizations is one from the Department of Labor using $683,861 of CETA funds. Being the first such grant, it was evidently decided to send it off with aplomb and fanfare. Long before final negotiations had been completed, Secretary of Labor Ray Marshall and UFW president Cesar Chavez held a well-publicized grant-signing ceremony. This was on January 11, 1978.

Along with the grant's publicity came controversy. Chavez is the controversial leader of a social movement and a union, and this grant was filled with questionable uses of taxpayers' money. Thirty-two congressmen immediately asked the General Accounting Office to investigate. Evidently a lesson was learned, because there have been no more celebrity-studded grant announcements.

The GAO report was not completed until a year later. Meanwhile, in May 1978, the grant was finalized. The 16-month project, begun in August of that year, has two components: an English-language program and a job-skills program.

According to the grant award, "Recruitment and selection of the students will be performed through 13 Campesino Centers in California." Translation: Participants will be recruited from UFW hiring halls throughout California and, for obvious reasons, will probably consist entirely of union members.

English-language teachers are being

trained during the first four months of the grant period. Then every eight weeks 16 students (ranging in age from 22 to 45 years) are brought to La Paz for in-residency learning, at a total cost of $347,529.

The job-skills program has 16 participants living at La Paz for 48 weeks at a total cost of $336,332, or $21,000 per participant. Four are to be trained as "offset press persons, camera persons, binders, strippers, typesetters, layout and art specialists," working in La Paz's printing plant, which produces the union's printed materials. Six participants in the auto-diesel mechanics program are gaining experience repairing the equipment at La Paz. Four trainees in maintenance and landscaping are learning "carpentry, electrical, plumbing, painting and similar skills": "The farmworker community of La Paz, many of these structures date back to the old TB sanitarium, requires adequate building maintenance." Two participants are learning how to cook in the La Paz kitchens.

In other words, the taxpayer is paying to have the buildings at union headquarters repaired and maintained, the grounds kept up, the vehicles repaired, the food cooked, and union communications printed. The budget?

Again, the taxpayer is buying all sorts of equipment for the union's headquarters. A van for $8,680 (plus gasoline, maintenance, and insurance at $3,750), four typewriters for $3,600, minor equipment at $3,770, and just a lump sum of $50,000 for "equipment."

Salaries for a 48-week period include a cook instructor, a printing instructor, and a diesel mechanic, each at $21,600, and a master mechanic at $29,000. An "instructor allowance" at $4,200 and a "consultant fee" at $4,000 take care of building and maintenance.

There is $61,451 for language instructors, but the exact number is not specified. With 16 students every 8 weeks, more than two would seem inappropriate, and that means a salary of $30,752 for 48 weeks of teaching 8 students. These are the instructors who had to be trained at taxpayers' expense during the first four months of the grant.

Salaries for the administrative staff—executive director, project director, fiscal specialist (?), secretary, and language school coordinator (some are only part-time)—total $83,080. Participants in the program live at La Paz, but there is a $7,800 travel allowance for the administrative staff. The "participant intake/counselor" has a salary of $21,575 and a travel allowance of $4,800.

The participants are paid, too. The 96 English-language students take home $928 at the end of 8 weeks, and each of 16 job-skills participants is getting $5,557 for 11 months of learning. Plus room and board, transportation, and entertainment.

La Paz gets $107,520 for providing room and board, $4,055 for recreation, and $8,400 for emergency/medical. Then there's $15,609 for classroom and administrative use of La Paz space and use of La Paz computers and copying machines. Utilities, telephone, printing and advertising (for a $21,575 participant intake/counselor to recruit through union hiring halls?), postage, and insurance account for the rest of the budget.

The GAO report on this grant was released in January 1979. According to the report, the grant's approval had been marked by dissension within the Department of Labor. The director of farmworker programs had expressed concern about "activities proposed related directly to supporting unionization efforts." Not only would this grant set a precedent for direct funding of union activities, he objected, but "it would be impossible for Labor to determine through some monitoring activity whether unionization activities or union-related indoctrination was actually occurring during the program."

It's not an idle worry. In a recent article in the *Christian Science Monitor*, one of its editors was favorably impressed with the fact that La Paz is providing "a school for future union organizers." But the concerns of that DOL official were dismissed by a higher administrator as "mere efforts to protect himself in case the grant came under heavy political fire because of the grantee's identity."

So it seems that it was quite clear from the beginning: although this grant was in the name of the nonprofit, tax-exempt National Farmworker Service Center at La Paz, in actuality it was a grant to the United Farm Workers union—and everyone involved knew it.

The GAO report found many other questionable aspects that should have been investigated before funding was approved. For every charge made, Secretary of Labor Marshall shot back a defensive denial.

The GAO objected that the National Farmworker Service Center did not have experience with this sort of program and did not have the qualified staff for it. Marshall admitted that the NFSC scored "relatively lower than some other applicants in this area" but, quoting from the GAO report, cited their "considerable experience operating farmworker programs generally and a strong technical assistance linkage with the Human Resources Development Institute." (The HRDI, explains GAO, is an AFL-CIO nonprofit, tax-exempt organization that is given taxpayers' money—in 1979, $4.4 million from DOL—to help and advise affiliate unions on how to acquire taxpayers' dollars—federal grants.)

The GAO observed that California's school system was already providing English-language programs, some after work and in labor camps, with the number of programs based on the number of farmworkers interested. "The enrollments for Kern County (where La Paz is located) have been about 2,000 a year." Marshall stood his ground: "The program structure and methodology currently employed do not impact significantly on many workers."

The GAO report goes on—as does Secretary Marshall—but it is much of the same yes-it-was, no-it-wasn't exchange. The report ends with an account of the Labor Department's system of monitoring the grant. The NFSC is required to submit monthly progress reports within 10 days of the end of each month and to submit quarterly fiscal/progress reports. And someone from DOL is to visit the center every quarter.

The taxpayer is paying to have the buildings at union headquarters repaired and maintained, the grounds kept up, the vehicles repaired, the food cooked, and union communications printed.

On May 4—the grant had become effective nine months earlier—I called the Department of Labor to find out about the program's progress. A very cooperative person tried her best to answer questions regarding NFSC's mandatory progress reports. But apparently there was little information to relay. There was one report for the period ending in December, and for the participant phase of the

program there had only been one report —telephoned—stating how many were enrolled so far (as of April 16, in the English-language program, 24; in the job-skills program, 13). Almost apologetically, she assured me that was all she had.

That same day, to double-check, I sent a Freedom of Information Act request for all progress and fiscal reports from the NFSC to the DOL, as well as reports of all quarterly on-site visits. Six days later (May 11), I received a form letter: "Your requests are under review and you will be hearing from me on or about May 25." (By law, an FOIA request for information involving a tax-supported organization must be complied with within 10 working days, with one 10-working-day extension.) On June 5, another FOIA letter requesting the same things and asking why the May 4 letter had not been answered. Still no response. Periodic calls to the Department of Labor result in: "We will look into this and see what the problem is."

Some people are beginning to get an idea of what the problem is.

The fifth 1978 grant, for $120,925, also went from the Department of Labor to the National Farmworker Service Center, to develop an agricultural apprenticeship program. The one-year termination date of July 31, 1979, is now past, yet the DOL will not answer requests for progress reports or final results.

The same GAO report, however, contained some revealing information. "It appears that Labor has wanted to fund or in some way assist the union in apprenticeship for some time. The Secretary [Marshall] and the president [Chavez] met at a March 1977 meeting... [resulting in] an understanding that Labor would be willing to work with the president to explore the idea of apprenticeship in agriculture."

The GAO's criticism centered around the DOL's awarding this grant on a sole-source basis (no competition) and its contention that only a union could successfully establish such a program. The GAO pointed out that one such nonunion project had been considered quite successful in California and that another, funded to the California Department of Industrial Relations, Division of Apprenticeship Standards, would have been successful if the UFW had cooperated as they were supposed to. It seems that Labor had insisted upon UFW union involvement in that grant because of Secretary Marshall's understanding with Chavez and because "the Governor's Office in California also wanted to assure the union's participation."

But the union failed to actually participate in that program—until the Department of Labor came through with $120,925 for the UFW.

CITIZENSHIP CASH

Why this deference in high places to Cesar Chavez? He repeatedly charges government agencies with injustice, yet politicians and bureaucrats seem to stumble all over themselves to please him. And he quietly goes about the work of making sure they will continue to do so. Part of that work centers around the UFW's Citizenship Participation Day Fund, which he is now fighting to maintain against legal challenges.

In UFW contracts, one day a year is declared an extra paid holiday, named Citizenship Participation Day (CPD). Union members are to instruct their employers to give their holiday pay for this day to the UFW's CPD Fund, whose purpose is to support "citizenship education, voter registration, legislative advocacy, and political action," according to Marc Grossman. Most of these funds (78 percent for 1974-77, the latest reported years) have in the past been turned over to the UFW's Political Action Committee (PAC), which in turn contributes to political candidates and ballot-measure campaigns. Chavez has called this political slush fund "critical" because it "helps us to deal with the political power of growers and their friends."

Until 1978 union members were encouraged but not required to donate their CPD pay. Then an August 1977 UFW convention made it mandatory. Now if a union member does not contribute, the union can declare the member "not in good standing" and can force his employer to fire him.

Chavez's political slush fund could come to over $5.1 million a year—and that's attractive to any politician.

Federal labor laws define "good standing" as timely payment of initiation fees and dues. But the UFW has been given carte blanche to define good standing by California's controversial Agricultural Labor Relations Act. (The *Christian Science Monitor* recently praised this 1975 piece of legislation as "a major Chavez achievement." That it was "orchestrated by UFW and supporting groups, with the backing of Governor Edmund G. Brown, Jr.," seems to be a widespread assessment.) No other labor law in the country gives such power to a union. The UFW has used this power to say to its members, "Contribute to CPD or get fired."

Chavez alleges that the vast majority of union members contribute to CPD voluntarily and the new mandatory requirement is aimed at a small minority. How to check this out?

A search of the files of California's Fair Political Practices Commission, which requires all political action committees to report their income sources and how this money is spent, turned up no records for the CPD nor for the UFW. Finally, filed under the *National* UFW Political Action Committee, I found a February 22, 1979, report covering the years 1974-77. Here, the CPD Fund turns up as an "intermediary organization." (But, one wonders, why does the union have *two* organizations funding political action? Marc Grossman says, "For organizational purposes. They serve different functions." But note this: Because it contributes to politicians and ballot-measure campaigns, the UFW's PAC must register with the state, declaring all expenditures and all income, including the source. On the other hand, the UFW's CPD Fund —even though its primary purpose, according to a union brochure, is the achievement of political power—is not required to report to any state agency what it does with the workers' pay it collects.)

The UFW's PAC report to the Fair Political Practices Commission contains some revealing data. An amendment to the report, according to a covering form, lists the sources of funds for that "intermediary organization," the CPD Fund. And so follow all of 98 pages showing, worker by worker in most cases, all the CPD monies collected between 1974 and 1977. Spot checks with major growers confirmed the amounts.

Using Chavez's own data, one can estimate the percentage of UFW union members contributing to CPD. The average contribution from 1974 to 1977 turns out to be $57.00. So I took the reported total amount for 1977—the latest year reported to the FPPC, and a year in which CPD contributions were still voluntary—divided by $57.00 (one day's pay), and derived the number of union members contributing for that year.

In 1977, CPD contributions totaled $84,149.15. That means 1,476 union contributors—*1.6 percent* of the 90,000 UFW members repeatedly claimed by Chavez in early 1978 in public statements and in the application for the Credit Union grant. Suppose we give Chavez the benefit of the doubt and assume that, because of the seasonal nature of farm work, only half of his union's members were working on the CPD holiday in 1977. That's still only 3.7 percent. Suppose only a quarter were working. Still only 6.6 percent.

Reversing the approach, let's assume that "the vast majority"—say 90 percent—in 1977 did voluntarily give to the CPD slush fund. With 1,476 contributors, the 90 percent assumption yields a total union membership of only 1,640. Or only 3,280 if we add the only-half-are-working assumption.

Mr. Chavez appears to be in the position of either admitting to a very low voluntary participation in CPD (which could hurt his position in pending judicial and legislative action on CPD) or admitting to an extremely low union membership (which most certainly would hurt his image and his power). Or the report he filed with the state of California could have understated the amount of CPD funds collected.

Chavez has much at stake in this fund. Recent UFW contracts have designated a different CPD holiday in northern and southern California, so as to hit the peak season and as many workers as possible in both areas. If the courts back him up in the legality of compulsory contributions, and if he really has 90,000 members, then we are talking about a political slush fund of over $5.1 million a year. That's attractive to any politician.

Legal proceedings have been initiated, however, on behalf of union members fired as a result of not contributing to CPD (*Cervando Perez, et al.* v. *United Farm Workers of America, AFL-CIO*). The plaintiffs are objecting to their money going into the fund because of the various political candidates and causes to which the UFW (PAC) has contributed CPD money. Case arguments in the class action suit are based on constitutional rights to freedom of speech and association.

Union spokesmen have called this a "right-wing fetish" but nevertheless quickly amended union contracts so that members who do not wish to contribute to the CPD Fund can contribute to any one of three designated charities (all UFW La Paz-headquartered organizations: the Martin Luther King Jr. Farmworker Fund, the National Farmworker Medical Group, or the National Farmworker Service Center). This action paid off in a June 18 preliminary hearing on another, similar suit. A hearing officer of the Agricultural Labor Relations Board issued a 188-page opinion ruling that the CPD mandatory contribution is legal because of the designation of alternative charities. Despite the ruling in this case, the Perez case is heading for the courts on the grounds that CPD is unconstitutional if these monies are used for *any* purpose other than collective bargaining, contract administration, and grievance adjustment.

But the "good standing" issue has on its own been a major roadblock in contract negotiations, prolonging the most recent strike in California. Growers don't want to allow the union that kind of power over the operation of their farms—the

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power, for example, to pull workers off their jobs in nonstruck companies and send them out to picket, attend rallies, and participate in marches, or lose their good standing.

As the 1975 Agricultural Labor Relations Act stands, the UFW in effect has the right to force the firing of employees for any reason it deems appropriate. The union's constitution lists 33 offenses for which a member can lose his good standing—many ambiguous ones such as "conduct detrimental to the welfare of the Union" and "committing an act calculated to embarrass or impair the dignity of the Union." A union striker put it this way: "If we don't picket, we won't get our jobs back when a contract is signed."

Recently, California senator Robert Nimmo sponsored legislation to make the ALRA's good-standing provision conform to that of the National Labor Relations Act, whereby a union may secure the discharge of an employee only for failure to pay dues and initiation fees. But as the *Watsonville Register/Pajaronian* editorialized in June, "The union is fighting fiercely against it, understandably, because its hold on its members would seem to depend on its control over their jobs." The bill narrowly passed both houses of the legislature, but Governor Brown vetoed it on September 7.

WHY CESAR CHAVEZ?

After months of investigation, and turning up as many facts as the secrecy of the UFW apparatus and the recalcitrance of government agencies would allow, mystery remains. Is this a politics-as-usual story? Is there a master plan? Or is it catch-as-catch-can?

One conclusion seems inescapable: taxpayers are bankrolling Cesar Chavez's United Farm Workers union. With $797,007, and potentially $2 million, of the taxpayers' money, the UFW is building itself a sophisticated microwave system that will provide instant, virtually free (to the union) communication among union headquarters and regional hiring halls. With $349,115 of taxpayers' money, the UFW is operating its credit union for two years—and purchasing furniture and equipment for union headquarters and union office-hiring halls. With $683,861 of taxpayers' money, the UFW is bringing language and job trainees to headquarters at La Paz—and sprucing up the facilities, printing union materials, and purchasing more equipment for headquarters. Add a small grant, $120,925, for an apprenticeship program, details unrevealed, and it all adds up to $1,950,908—for starters.

The grants exposed here are small-time compared to the vast amounts of tax monies squandered on senseless projects and lining the pockets of professional scam artists. So why single out Cesar Chavez and the UFW?

A microwave system *is* a modern, efficient means of communication. Credit unions *do* provide services to their members. Laborers *can* benefit from expanding their skills. But whatever the grants' benefits to union *members*, the United Farm Workers of America, AFL-CIO, is itself aggrandized by the use of these funds for *union* activities. And that, at taxpayers' expense, is illegal.

Yet it's apparently not the only union to be taking in tax dollars. It may be a particularly significant one, since it has signed contracts with many of California's growers, and California supplies at least half of America's produce. But it's not the only one on the federal take—otherwise the AFL-CIO's grant-advising Human Resources Development Institute wouldn't be in business. So why Cesar Chavez and the UFW?

Chavez is evidently a hard-working man, dedicated to a social cause. There appears to be warmth, a loving care for the poor and the exploited, a commitment to openness and honesty. The United Farm Workers struggled through its share of opposition to unionization and probably faced the adversity of discrimination in its attempt to represent workers predominantly from a minority group. There can be no question that it has contributed to union members' improved wages and benefits. But should the taxpayers—or concerned supporters—put up with *anything* in the name of Cesar Chavez and the United Farm Workers?

Should they countenance deception? UFW officials, with Chavez's signed approval, said there are Campesino Centers; the ones that actually exist are union hiring halls—unacknowledged as such. They said there are health clinics; there aren't any. They said the credit union makes loans at one percent; it makes loans at 12 percent. They agreed to conditions prohibiting the use of funds for union activities; the UFW is directly benefiting from the salaries paid, space rented, and purchases made with these funds. Isn't it clear that fraud is involved?

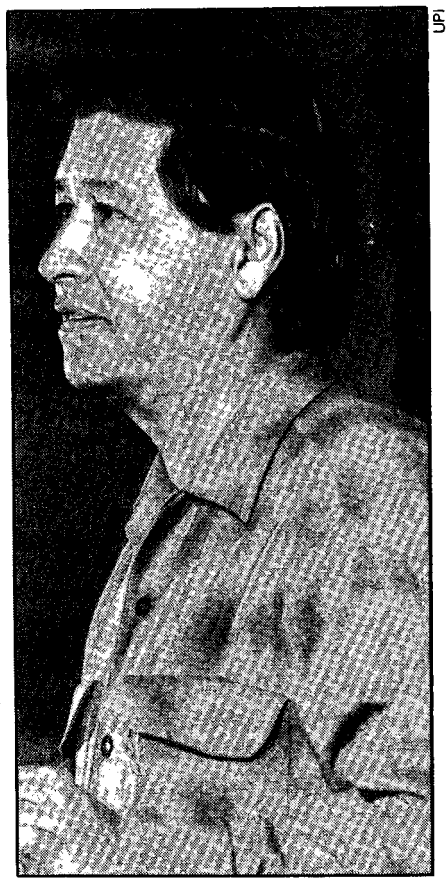
Or is it? Perhaps unfamiliarity with bureaucratic procedures and sophisticated accounting systems explains these staggering discrepancies. Or a docile UFW may have followed the lead of a more savvy arm of the AFL-CIO, its Human Resources Development Institute—the General Accounting Office pointed to a "strong link." Or maybe Marc Grossman, backed into a corner, put his finger on the culprit—"I don't know what some PR man in HEW thinks up"...and in the CSA, and in the Department of Labor. Still, Chavez and other UFW officials *signed* the documents.

And there are other discrepancies. There is the overstated union membership or an exaggerated claim for voluntary CPD contributions. Chavez frequently rails against big business, but some of his nonprofit organizations' investments are, according to IRS reports, safely tucked away in such capitalistic giants as Bank of America, IT&T, Bell Telephone, and General Motors. There is the union constitution's prohibition of violence, and Chavez's abjuring violence, but UFW strikers' use of violence. It just doesn't add up to an unblemished picture.

Whether the deceptions are deliberate or careless, they raise another mystery — why government complicity in the sham? If *I* could bring to the surface the gross disparities involved in these grants, couldn't government agencies have unearthed the difference between truth and fiction? Interdepartmental criticisms and GAO investigations after the fact are all well and good; in the end, these grants were approved. From the beginning, Gov. Jerry Brown felt it unnecessary to see and sign them.

Is it bona fide concern for poor farmworkers that explains the eagerness to dole out taxpayers' money—and explains the enthusiastic support of the Jane Fondas and Tom Haydens? But then, what about the concerted attempt to retain dictatorial control over those farmworkers: Contribute to CPD, or get fired. March, or get fired. What about those farmworkers investing in the Credit Union but not being paid any dividends and not being charged that "low rate of one percent" on loans? Would all the good will Chavez has generated be so forthcoming if his ardent supporters knew all this, knew the whole picture that adds up to duplicity—or raises even more mystery?

Perhaps the pieces fall together into an old-fashioned story of power. Sitting atop the United Farm Workers, Cesar Chavez has considerable control over California agriculture and thus over the nation's produce. As leader of one of the largest minorities in the United States, he has undisputed sway over many, many voters.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And as the highest decisionmaker in the UFW, he has at his disposal politically available CPD monies potentially totaling in the millions each year. "Don't make the mistake that these farmworkers don't have the power to launch strikes, boycotts, and everything else that is necessary to win," declared Jerry Brown at a Chavez rally in August.

Does Brown—do other politically active figures—want in on a political machine? Are they helping to construct it by funneling taxpayers' money to Chavez?

As I was finishing this story, Chavez was waging an all-out effort to organize a nationwide boycott against United Brands' Chiquita bananas (United Brands being the parent company of one of the largest lettuce growers, Sun Harvest, struck by the UFW in a walk-out in California begun last January). The August 1979 scenario included a four-day, 150-mile march from San Francisco to Salinas, a Chavez fast, and a rally. Gov. Jerry Brown marched along and called on the growers to settle, making his "farmworkers' power" declaration. Jane Fonda, flanked by her husband, Tom Hayden, announced that she would carry the boycott to 50 cities.

Then, on August 31, Sun Harvest capitulated. Chavez called off the boycott of United Brands/Chiquita bananas —but not of lettuce.

A boycott is a powerful weapon, in more ways than one. In 1976, when Jerry Brown suddenly began campaigning for the Democratic presidential nomination,

Would the good will Chavez has generated be so forthcoming if his ardent supporters knew all this?

who should show up as his tireless campaign workers—Brown's "shock troops," a recent *Los Angeles Times* report called them—but recently unemployed Chavez boycott staffs? Rallied by Gilbert Padilla, UFW executive board member, they flocked to Brown's cause, first on the East Coast and then in Oregon. Political observers are whispering that this time, too, a nationwide boycott network could provide the ground floor of a presidential campaign by Brown or Sen. Edward Kennedy. And when Fonda and Hayden vowed to carry the boycott across the nation, it was as part of a pre-primaries, anti-Carter drive.

But even political machine building doesn't answer the nagging question about who's behind it all. Are the eagerly awarded federal grants and public curtsies to Cesar Chavez part of a carefully orchestrated plot in which he is being *used* by politically ambitious power seekers? Does he sign on the bottom line, in spite of misrepresentation, for benefits accruing to the farmworkers in his union? Or are the federal grants, the public contradictions, the secrecy surrounding his operations, all part of his own power play? Is Chavez, to all the world a peace-loving, honest, simple man, behind the scenes quietly building an empire, constructed on fraud, and financed by growers, well-meaning supporters, farmworkers, and taxpayers? With all the fences surrounding the empire, would we ever know? ◧

Patty Newman is a graduate of Mills College with a bachelor's degree in English. For many years she was director of program development at San Diego's Campus Studies Institute.

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WHO SHOULD PAY FOR NUCLEAR ACCIDENTS?

With the Price-Anderson Act, we can't tell whether nuclear power is economically feasible.

BY SHELDON L. RICHMAN

AS SURE AS THE SUN rises and activates solar energy devices throughout the land, the accident last spring at the Three Mile Island nuclear power plant has brought a swell of calls for increased federal regulation of and even an outright ban on atomic energy. The cries come not only from critics like Jerry Brown and Ralph Nader but also from others who have been less adamant about the demerits of nuclear power. One and all, they cite the Pennsylvania case as the latest evidence that nuclear power is technology-run-amok desperately in need of aggressive government control.

Even nuclear proponents acknowledge that tough times lie ahead for the industry. As a US senator put it, Three Mile Island "could be to the war against nuclear power what the Tet offensive was to the Vietnam war."

Given the record of government bungling of things nuclear, advocates of a federal crackdown appear naively optimistic indeed. Is the alternative, then, to let things be? The trouble with moving so fast is that there is more here than is revealed at first glance. Perhaps we suffer, not from too little regulation, but from an overdose of it.

NUCLEAR CORPORATISM

The nuclear power industry in this country (and much the same can be said for other countries) is the classic welfare-state industry. It is the bastard son of the corporate state, conceived by the rape of the taxpayer. The military conducted the research during World War II for the development of nuclear-powered submarines and the atom bomb. When the war was over, the State pushed its baby on an unwilling market in an attempt to give atomic energy a good name. (Its name had been somewhat blackened at Hiroshima.)

Today, the government continues to subsidize the industry by providing research and development on problems like waste disposal and nuclear plant security. But perhaps the most insidious intervention is the Price-Anderson Act, which limits total liability for a nuclear accident.

In 1954 Congress passed the Atomic Energy Act, which permits private ownership of nuclear plants. Interested parties immediately wondered how such plants, with at least a remote chance for great destruction, would be insured. In 1956, the Joint Congressional Committee on Atomic Energy concluded that private industry could handle the matter. This set off a howl of protest from utilities and equipment makers, who feared that private insurance would be too limited or too costly. They took their cause to Congress, warning that the incipient private nuclear industry would wither if government didn't get into the act.

According to a *Business Week* story at the time, Willis Gale of Chicago's Commonwealth Edison and William Webster of Yankee Atomic Electric Co. "said flatly they'd drop plans for atomic plants rather than risk solvency of their systems to underwrite risks on their experiments. Gale suggested the solution might be a multimillion dollar government-supported atomic plant insurance program."

Westinghouse vice-president Charles H. Weaver joined in the chorus, telling the committee, "It appears to be virtually unanimously agreed that a legislative solution to the public liability problem is necessary if one of the principal purposes of the act—'to encourage widespread participation in the development and utilization of atomic energy for peaceful purposes'—is to be possible."

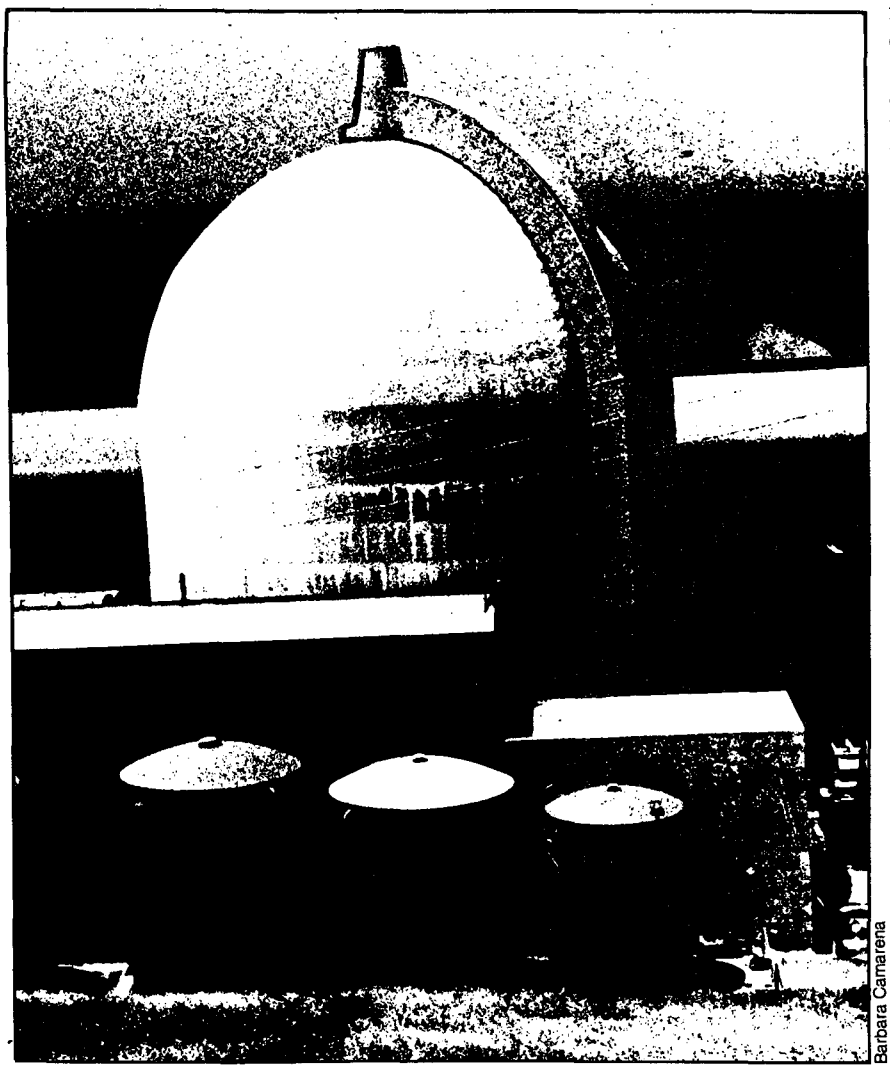
Another utility executive said reassuringly, "We certainly don't believe such an accident will ever happen." Then came the catch: "But if it did," he continued, "the liability claims could put us out of business overnight. You just can't ask your directors and stockholders to take such a chance, however remote, without ample insurance."

ENSURING NUCLEAR

This was clearly a crossroad for the new industry. *Business Week* reported that if the insurance costs were too high, the utilities would be "likely to decide in favor of conventionally fueled plants."

Obviously fearing that its atoms-for-peace plan might never get off the ground, the federal government wouldn't wait for the market to work out its own problems. In 1957 it intruded with the Price-Anderson Act, which shifted much of the nuclear risk from the industry to taxpayers.

Price-Anderson required operators to buy the maximum liability coverage



Barbara Camarena

available, $60 million (now $140 million), while, for a token premium, the federal government would indemnify them up to $500 million per accident. Currently, another $360 million in coverage comes from a cooperative arrangement among utilities, whereby each pledges $5 million per reactor owned to cover liability claims beyond the initial $140 million of insurance. As the number of reactors in service increases beyond the present 72 (there are 90 more in various stages of development), the size of this fund will continue to grow, up to the federally established ceiling, thus phasing out the taxpayers' share.

But although the 1975 revision of the act has the ceiling eventually growing from $560 million to over $1 billion, it remains a ceiling—even if actual losses were to be far higher. Various government studies have made estimates that a worst-case catastrophic reactor accident could cause anywhere from $7 billion to as much as $280 billion in property damage alone, not counting thousands of deaths and injuries. (Admittedly, the probability of such a catastrophe is extremely small.)

Further, the manufacturers of plant equipment are not required to purchase any insurance at all, since they are covered by the operators' policies. And while it provides "no-fault" coverage to claimants, the act shields manufacturers from *any liability whatever!* (Keep in mind that the Three Mile Island accident is attributed to human error and faulty parts.)

INDUSTRY THREATS

The act was renewed in 1975 after hot congressional debate. "The minute that we cannot get Price-Anderson, it is the end of the nuclear industry in this country," said Sen. John O. Pastore, then chairman of the Joint Atomic Energy Committee. Interestingly, an official of Babcock & Wilcox, the firm that built the Three Mile Island plant, told the committee, "In the event of unfavorable Congressional action, we may well be forced to reconsider our role in the nuclear industry."

Opponents of renewal argued that the act is a subsidy giving the industry an unfair cost advantage over other energy forms and that the industry would exercise greater quality control if it were fully responsible for its actions. It needs no special protection, opponents said, citing nuclear expert Norman C. Rasmussen's estimate that the odds against an accident costing more than $560 million are about two in one million per reactor per year.

The industry replied that the mere possibility of a catastrophe would force manufacturers to abandon the field. And no one would call their bluff to find out.

Congress—backed by the Ford administration; the nuclear, electrical utility, and insurance industries; and the AFL-CIO—extended the act for 10 years, voting down amendments to allow injured parties to sue for damages beyond the limit. And although the act was amended to phase out government participation by a complex formula, the limitation on total liability remains.

ATOMIC SOCIALISM

In 1977 the industry was shocked when a US district judge in North Carolina declared Price-Anderson unconstitutional in an environmental group's case against Duke Power Co. Judge James B. McMillan ruled that it limits an injured party's right to due process and violates the equal protection principle by placing costs on an arbitrarily chosen segment of society for the benefit of the rest.

"Without the protection of the Price-Anderson Act," wrote McMillan, "regardless of the desires of the nuclear power industry, power companies would probably not be able to obtain the necessary financing, supplies and architectural skills to build nuclear power plants and to maintain them once construction was complete." Here was an echoing of the industry's own claims, used to *undercut* Price-Anderson.

Without government insurance and overseeing, the industry would be compelled by economic forces to certify its safety.

The decision touched off a panic. Ten appeals briefs for the industry were sub-

mitted when the case went to the Supreme Court. It was the same old song. "Removing the limitation on liability could cause utilities to refrain from completing pending projects or undertaking new projects, and, conceivably, lead to the shutdown of existing reactors," wrote lawyers for the Atomic Industrial Forum, Inc., the industry trade group.

In June 1978 the Court unanimously overturned the district court and upheld Price-Anderson. In his opinion Chief Justice Warren Burger rejected the due-process argument on grounds that the act "bears a rational relationship to Congress's concern for stimulating the involvement of private enterprise in the production of electric energy through the use of atomic power." This, Burger said, "is ample justification" for limiting potential nuclear victims' rights.

Would you rather have the precautions of a protected political bureaucrat or of investors risking $700 million per plant?

All this prompted Ralph Nader to taunt the industry about the "gathering storm of atomic socialism.... Giant mismanaged corporations are pushing Uncle Sam (alias small taxpayer) to bail them out by socializing their nuclear fission losses." He has a point.

Burger's opinion is a crystal-clear example of the conservatives' bankruptcy. At least outright welfare-statists are consistent in asking the government to take over or shut down the industry. But conservatives hypocritically defend private enterprise while asking the government to "encourage" it by redistributing market risks to innocent bystanders. This is the worst kind of socialism.

POLITICIZED PROTECTION

Clearly, without Price-Anderson, one of two things would have happened. Either the industry would indeed have been aborted for lack of enough insurance, or it would have been prompted to certify its safety to the satisfaction of capital-risking interests. But *either way*, we'd be safer than we are now.

Just as Price-Anderson has been a disincentive for achieving nuclear safety, so federal regulation and inspection—another massive subsidy to the industry—has undercut safety. Without the combined package of government insurance and overseeing, the industry would be compelled by economic forces to write standards and have independent inspections performed. The capital market and insurance industry, seeking to protect their financial interests, would require this, as the utilities concede.

American Nuclear Insurance, holder of Three Mile Island's policy, says it performs standard underwriting inspections but relies heavily on the Nuclear Regulatory Commission. "We don't certify a plant is safe," said Charles Bardes, vice-president of underwriting.

Whose precautions would you rather have? Those of a protected political bureaucrat or of investors risking $700 million per plant? Ponder the question in the light of reports that the NRC is badly "politicized."

It was government regulation that provided the operators of Three Mile Island —Metropolitan Edison—at least two incentives to rush the plant on line, perhaps before it was as safe as possible. No one can read their minds to see if they were so motivated, but the incentives exist.

First, by opening the plant before December 31, 1978, the owners were able to qualify for depreciation against federal income taxes for the full year. The company's annual report places the saving from the December 28 opening at $3.3 million.

Second, the owners had a rate increase pending with the Pennsylvania Public Utility Commission (PUC) that couldn't be granted unless the plant was operating. The day after the accident, the PUC granted a $49 million increase—$33 million of it for the reactor.

Without the tax laws and the PUC's power to grant monopolies and set rates, these incentives wouldn't have existed. It is because of Metropolitan Edison's state-granted monopoly privilege that it can get away with charging customers for the accident by raising its rates. In an unregulated, competitive utility market, however, hiking rates to pay for an accident would be a golden opportunity for one's rivals to step in with a better deal. So in order to stay in business, a company would have to be highly concerned with safety.

Critics of nuclear power should take heed: it is *government regulation* that got us into this mess. They should be calling down on the industry's head, not more government involvement, but what the industry fears most—a free market in the power-generation industry. For in an unhampered economy, genuine critics of nuclear power would find their objectives satisfied. We would either have *no* nuclear power, because it would be found to be too costly to produce it safely; or we would have *safe* nuclear power, because if it can be produced safely, it's sure that suppliers and insurers would want to get in on the act. What we would *not* have is a potentially dangerous industry propped up by a government that has a vested interest in preserving it, safety or no. ◻

Sheldon Richman is a free-lance writer, teaches writing for a business-consulting firm, and is research director of the Council for a Competitive Economy.

Coming Next Month:

December brings REASON's annual Book Review issue—a guide to some of the most important current books. Among the volumes reviewed are Edward Teller's *Energy from Heaven and Earth*, Volume 3 of F. A. Hayek's *Law, Legislation, and Liberty* trilogy, Bernard Frieden's *The Environmental Hustle*, the memoirs of both Felix Morley and Henry Regnery, the new edition of Herbert Spencer's *Principles of Ethics*, two recent books on education vouchers, four recent books on Great Britain (including Anthony Burgess's *1985*), and for science fiction fans: F. Paul Wilson on *Alongside Night* (Neil Schulman's new libertarian SF novel), Jeff Riggenbach on Ursula LeGuin's *The Language of the Night*, and John J. Pierce with an overview of the current boom in readable science fiction. And if you're not much for book reviews, also included are Murray Rothbard's Viewpoint, Tom Hazlett's Brickbats, Mark Tier on Money, John Hospers on Movies, and all of REASON's other regular features.

BY WILLIAM P. FIELD, JR.

THE CONCEITS OF THE KEYNESIANS

The Keynesian revolution turned careful economic thinking on its head, giving policymakers delusions of grandeur.

THE ECONOMIC DISTRESSES of the Western industrialized world today clearly indicate that something has gone wrong. The Keynesian orthodoxy that has dominated economic theory and policy in the post-World War II era promised full employment, price stability, and rapid economic growth. Instead, we now face high unemployment, accelerating inflation, and stagnation.

The question that is being asked with ever more urgency is, "Where did Keynesian economics go wrong?" Various answers have been suggested.

Some argue that the problem lies in errors in the technical details of Keynesian economics. These critics point out that Keynesians are at least partly wrong in claiming that the demand for money is unstable, that wages and prices are rigid, that consumption is a stable function of disposable income, and that investment is unstable because irrational entrepreneurs periodically exercise their "animal spirits."

Other critics attack Keynesian economics in broader terms. "The economy," they point out, is really individuals producing, buying, and selling goods and services, but the Keynesian overemphasis on aggregates has led to an almost total lack of consideration of the role of the acting individual. Closely related to this overemphasis on aggregates is an understatement of the difficulties associated with government attempts to manipulate or "fine tune" a national economy. And in recent years an increasing number of economists have zeroed in on a fact ignored by Keynesians—that inflationary policies almost always look attractive to politicians, and Keynesian economics, whereby the balanced-budget rule and the gold standard came to be ridiculed and discarded, has destroyed all the old restraints on engaging in such policies.

All of these criticisms have considerable merit, but there is yet another, and important, flaw that they miss. For the Keynesian revolution wrought a disastrous alteration of thinking processes within the economics profession.

THE PATIENT ECONOMIST

From the time Adam Smith published *The Wealth of Nations* in 1776 until John Maynard Keynes published *The General Theory* in 1936, almost all economists had continually emphasized the importance of patient, sophisticated reasoning tracing out all the indirect, often obscure, unintended consequences of human action. Why give painstaking attention to these consequences? Precisely because they are unintended and obscure. Since it would always be very difficult for the general public and the politicians to recognize and appreciate such consequences, the economist was to bring his expertise to this process and thus at least partly discourage the use of measures that seem to offer direct, obvious benefits.

Of course, there was a long tradition even before Adam Smith that economists should apply this reasoning process. Smith, however, was the first to spell it out so thoroughly in his "invisible hand" concept, which is simply an explanation of the indirect, obscure, unintended benefits accruing to the whole society from the self-interested actions of individuals in a market economy.

Smith's explanation of the "invisible hand" was a powerful defense of the market. It depended entirely on patient, sophisticated reasoning, which led to conclusions that seem absurd unless obscure, unintended consequences of human action are traced out. The first impression given by the market is that it is a system of greed in which each person makes himself better off by making others worse off, a system in which the rich capitalist can and does oppress the poor worker. Smith demonstrated how totally misleading is this impression, how voluntary exchange inevitably makes both parties better off, how self-interest leads each individual to produce those goods most desired by others, how a market system functions to make not only the rich capitalist richer but the poor worker less poor as well, how the capitalist can become rich and stay rich only by serving and continuing to serve the desires of consumers in an efficient manner.

All of these conclusions, which profoundly influenced both economic theory and economic policy, were possible only because Smith carried out the careful, involved analysis through which he was able to explain the indirect, obscure, unintended consequences of human action. And since the market system is subtle and complex, it can only be defended through such reasoning.

The great macroeconomic principle culled from the same patient, sophisticated reasoning Adam Smith had used in *The Wealth of Nations* is Say's Law—the idea that "supply creates its own demand." It is certainly not obvious that it does so. Again, the principle can be defended only by ferreting out the less obvious consequences of human action. The fact that an increase in saving is not a withdrawal from demand but rather a

change in time preference that will shift the structure of production toward more capitalistic methods is not easily understood, to say the least. The fact that a general glut of output or a surge in unemployed workers will be cleared up by individual actions altering price and wage decisions is also not easily comprehended. But the understanding of such concepts was essential to the economic defense of the market as a stable, self-sustaining method of economic organization.

There were some who strayed from this central tradition in economics—the mercantilists with their notion that the road to wealth is the direct, obvious action of accumulating gold; Thomas Malthus with his direct, obvious explanation of the possibility of general gluts: deficient demand. But the arguments of these wayward economists were completely rejected by all the great economists, who realized the errors of such unsophisticated reasoning.

ECONOMIC DARK AGES

Then came *The General Theory*, and all this changed. We are now in the Age of Keynes, an era characterized by impatience and lack of sophistication in reasoning and in policy. Economic analysis has been returned to the Dark Ages by a shift in emphasis to the direct, obvious consequences of action and to governmental attempts to improve the performance of the economy by producing consequences intended by government policymakers.

The lesson of Adam Smith had been the necessity of engaging in abstract reasoning to fully understand the implications of any action. The lesson of Keynes has been the desirability of taking obvious, direct action to solve any problem, while ignoring or at least deemphasizing any indirect, obscure, unintended consequences. This change of emphasis has engendered drastic, and in the long run disastrous, changes in economists' policy recommendations.

First, Say's Law has been rejected and replaced by Keynes's Law—"demand creates its own supply." By Keynesian lights, people produce because they expect the product to be purchased, so if production falls and unemployment rises, all that has to be done is to increase total spending. Thus, discretionary fiscal and monetary policies are used to manipulate aggregate demand and supposedly to assure full employment. Keynes's Law is popular with businessmen, the general public, and politicians because it is the result of direct, obvious reasoning. It seems to be unquestionably true.

And this is the key to the success of Keynesian economics—it tells the public and the politicians what they want to hear. It justifies these policies that seem obviously desirable. All the sophisticated reasoning behind Say's Law is ignored or explained away because the implications of Say's Law are inconvenient. But unintended consequences accompany even Keynesian policies. When individuals know that government is going to manage aggregate demand to assure full employment, they change their behavior. And all these changes and their unintended consequences are ignored in the simplistic Keynesian analysis.

Second, as a stabilization tool, government taxing and spending (fiscal) policies have been designated as preferable to

Adam Smith's "invisible hand" seems absurd unless obscure, unintended consequences of human action are traced out.

government money-supply (monetary) policies because of their more direct, obvious link to total spending. Continuing the same reasoning, government spending increases are considered preferable to tax cuts, which require that people spend the money and thus have a less direct effect on aggregate demand. Finally, carrying the Keynesian argument to its logical extreme, a program providing government jobs for the unemployed is the best policy of all: since the purpose of manipulating spending is to increase employment, why not just act on employment directly?

Again, the indirect, obscure, unintended consequences of such government action are ignored or explained away. Sophisticated analysis clarifies the fact that government spending must be financed. If it is financed by tax increases or bond sales, private spending and employment are reduced. If it is financed by new money, inflation results. But these inconvenient conclusions have been discarded by Keynesian economists.

THE "VISIBLE HAND"

Third, Keynesians analyze monetary policy in terms of its direct, obvious, intended effects on interest rates and thus investment. The more sophisticated but less obvious analysis of the effect of monetary policy on liquidity and thus on spending tends to be ignored. Much more important, the complex, unintended effects of additional money on relative prices and the structure of production are usually not even considered.

Fourth, this continued emphasis on direct, obvious effects again leads inexorably to a simplistic solution to inflation —wage and price controls. Why not stop inflation by making it illegal? The devastating unintended effects of such controls on the efficiency of the price system, the freedom of individuals, and the likelihood that the politicians will find inflationary policies irresistible while controls create a short-run illusion of the absence of inflation—these are all too obscure for proponents of such controls to recognize or seriously consider.

Finally, and potentially most devastating of all, national economic planning rears its superficially beautiful head. After all, in order to get the right goods produced by the right methods at the right time and place, what better method than to have government tell everyone what to do? What could possibly be more direct and obvious than government orders? Any problems—such as how the central planners are to accumulate the necessary information to guide an economy that depends on highly decentralized information, what will prevent politicians from emphasizing short-run political goals over long-run economic goals, and what will restrain the power of special interest groups—are to be dealt with only after the planning system is established. After all, how could the "visible hand" of government fail to be better than the "invisible hand" of the market?

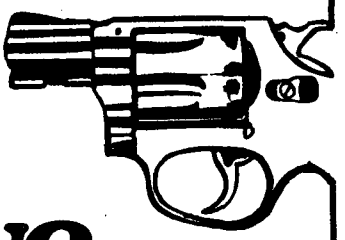
And so it goes. The obvious solution to poverty is to take money from middle- and upper-income individuals and give it to the poor. The obvious solution to the "energy crisis" is a $10 billion Department of Energy. The obvious solution to deterioration of the central cities is a massive government building program. Keynesian economics has set the politicians loose, and they are having a ball!

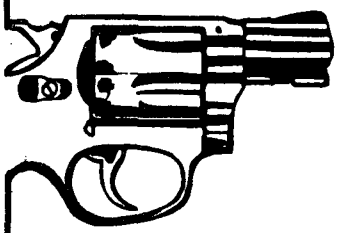
This Keynesian reasoning has set economics, let alone human progress, back hundreds of years. Dressing up feeble, unsophisticated reasoning in the form of complex models with elaborate empirical tests to defend them does not alter the nature of the reasoning. The never completely successful attempt by economists to restrain the general public and their political representatives from their tendency to accept direct, simplistic solu-

(*Continued on p. 38.*)

BY DON. B. KATES, JR.

If You Liked Watergate, You'll Love Handgun Prohibition





Wire tapping, illegal entry, illegal search and seizure—without them, handgun control is impossible.

Don Kates, a St. Louis University law professor, is the editor of a new book, Restricting Handguns: The Liberal Skeptics Speak Out. *It is a collection of essays by academics, "liberal" political figures, and various civil rights activists, feminists, and officials of Amnesty International and the ACLU. The following article is made up of selections from essays in the book by Professor Kates; Mark Benenson, former American chairman of Amnesty International; David Hardy, a Tucson civil liberties lawyer and expert in firearms law; and Kenneth Chotiner, a civil liberties lawyer and vice-president of the ACLU of Southern California.*

IT HAS BEEN SAID THAT "SUPport for 'gun control' is the litmus test of liberalism." Yet people who easily fall within the vague general category of liberalism are increasingly coming to oppose the prohibition of handguns for civilians. Why? Because the data show that such legislation is ineffective in reducing the number of handguns owned and *might* be effective only with an enforcement effort involving massive violations of citizens' constitutional rights. These conclusions become eminently clear once some popular notions about gun prohibition are demythologized, the dismal results of existing prohibitions are squarely faced, and liberty is kept in unwavering focus.

SHIFTING OWNERSHIP

Many people who are unfamiliar with firearms-manufacturing technology assume that a handgun ban would necessarily reduce the availability of such weapons—if not immediately, in the long run, as those now available are surrendered to the police, confiscated, wear out, etc. But in several ways a handgun prohibition might actually increase the number of weapons available to those it is intended to disarm, namely, criminals and ordinary citizens who think it necessary to keep a loaded handgun lying around their residences for self-defense. At present such people compete for a very large, but still limited, number of handguns, against a very large number of other citizens who want them for recreational purposes, such as target shooting.

It is necessary to differentiate these subgroups according to their purpose in wanting a handgun, for it is only in direct relationship to those purposes that a handgun ban is likely to affect their conduct. Target shooters are unlikely to disobey a ban (except out of sheer defiance) because the use to which they wish to put their handgun has become virtually impossible without high likelihood of detection. But this does not mean that they will tamely surrender their handguns to the police. Instead, with minimum danger of detection, they can recover a large part of their investment (or even make a handsome profit) by selling their handguns on the black market. Thus, even assuming that the overall supply of handguns is no longer increasing, the pool available to those who want handguns for

self-defense or criminal purposes has been substantially increased by the addition of large numbers of weapons previously held by target shooters. At the same time, that pool is no longer being competed for by the former target shooters. Acquisition is thereby made easier for criminals or self-defense users.

But, it is argued, since black market prices are inherently higher because of the risks involved, at the very least a handgun ban would result in pricing some criminal or self-defense users out of the market. In fact, however, any price rise will be limited to the extent that some people obey the ban on buying handguns, thereby reducing demand. And if the handgun ban is successful in compelling large numbers of present gun owners to dispose of their weapons, the result might well be an increase of supply beyond demand, thereby actually decreasing the cost of a black market handgun to a self-defense or criminal user. (Whereas, of course, if the handgun ban is not successful even in driving law-abiding gun owners out of the market, it seems unlikely that it will be successful against any other sector of the population.)

REDUCING QUALITY

But there is a more telling argument yet against the assumption that banning handguns will at least result in raising their price to the criminal and self-defense types. That assumption rests on an unexamined belief that price is the only variable in the handgun market. In fact, the very imposition of a handgun ban makes quality an alternative variable. The purchaser of a snub-nose Colt, Smith & Wesson, or other commercially manufactured defense pistol receives a beautifully finished weapon that is highly accurate and has a life expectancy of 25,000-50,000 shots. In less than a day a Vietnamese or Pakistani villager can produce a crude, but fully functional, copy of such a handgun using tools considerably less sophisticated than those found in millions of American households.

Made of inferior materials, by a producer with no particular reputation, who does not pay taxes or suffer any of the costs involved in government supervision, such a weapon could profitably be priced far below what is now charged even for cheap imported guns of comparable caliber. Such illegally manufactured weapons would be worthless for target shooting and might have a life expectancy of only a few hundred rounds. But these limitations would not matter to those who want guns for robbery, murder, or self-defense, since such activities are normally conducted at point-blank range and involve at most a few shots.

Only inability to compete against the superior product presently being manufactured, and the lack of an established black market, precludes the revival of handgun manufacture as a "cottage industry" carried on in households and small machine shops across the country. With these impediments removed by a handgun ban, the total annual production by such small entrepreneurs could easily outstrip present annual handgun production and importation. With low-quality materials and no aesthetic frills, such weapons would become available to people who cannot now afford handguns.

RECORD OF FAILURE

More compelling than any theoretical extrapolation can be is the actual performance record of handgun prohibition systems where they are in effect—a record of failure admitted even by their most ardent proponents. In 1971 the mayor of New York, John Lindsay, a lifelong foe of handgun ownership, reported to a congressional committee that his city contained eight million illegal handguns. Though his precise figure must be dismissed as political hyperbole (it seems unlikely that there is one handgun for every man, woman, and child even in New York City), it is the consensus of informed opinion that the Sullivan Law has been virtually useless as a means of keeping firearms out of the hands either of criminals or of an ever-growing number of New Yorkers who think they need them for self-defense.

The ACLU has generally remained silent about constitutional violations by federal officers enforcing gun laws.

The rough estimate on which most law-enforcement officials seem agreed is two million illegal handguns in the city. It has been claimed that what this proves is not the inherent unenforceability of handgun prohibition but the need for a national Sullivan Law that would prevent New Yorkers from buying guns in other states. But such sales are *already* illegal under both federal and New York law. Yet, if the estimate of two million illegal handguns is accurate, New York City has only half a million less than are legally owned in the entire state of California—and a rate of handgun possession significantly greater than that of the United States as a whole. It is difficult to credit anything but inherent unenforceability for the fact that, after 70 years of rigorously enforced handgun prohibition, handgun-allowing states that are supposedly the source of the problem have lower rates of handgun ownership than does New York.

The attempt to blame the failure of handgun prohibition on the ready accessibility of nearby handgun-allowing states is doomed by evidence from Britain, where the prohibition is national in scope. The only in-depth study, which was done at Cambridge University in 1971, reports that "fifty years of very strict controls on pistols has left a vast pool of illegal weapons." This Cambridge report concludes that Britain's handgun population has remained constant (except for occasional increases), for the number of handguns confiscated by, or turned in to, the police remains about the same year after year.

THE ENGLISH EXPERIENCE

Though cross-national comparisons are fraught with danger, the fact that handgun prohibitions have proven unenforceable even in England is particularly instructive. A host of factors would seem to make such prohibitions far *more enforceable* in England than in the United States.

England is a relatively small, isolated, and well-policed island that has not had a major war—the source and impetus for so much civilian gun acquisition—in almost 35 years. Handgun ownership was comparatively low in England when prohibition was instituted. As the Cambridge study notes, law-abiding Britons willingly complied because the level of violent crime was also so low at that time that few seriously considered it necessary to have arms for self-defense. So sedulously has that attitude been fostered by successive governments that even today, when the incidence of violent crime is much higher, there is no strong public sentiment that victims should be allowed arms for self-defense.

As to the enforcement of the handgun ban, there is no English constitution to limit the powers of English police. And public disapprobation of handgun ownership is such that the extensions of search and arrest powers that have accompanied each new Firearms Act have been virtually unopposed.

It should be unnecessary to do more than list the contrasting characteristics

which make handgun prohibition far less enforceable in our country: our greater population and much greater land mass, which is much less well policed; our hallowed Constitution with its restraints upon police powers; our very different attitudes about the value of handguns and the right to own them; our history of massive disobedience to banning things (alcohol, marijuana) that substantial numbers of Americans value. In short, if a handgun ban proves unenforceable even in England against those who should be disarmed (while it diverts enormous police administrative and enforcement resources), it seems unlikely to be enforceable anywhere, particularly not here.

LIBERTY IMPERILED

A further point of fundamental importance is that the extent of resistance is likely to bring about increases in police powers which, while unlikely to suppress a level of defiance that would equal or exceed that toward Prohibition and marijuana laws, would imperil civil liberties. Unfortunately, this is an issue that has attracted little notice from many civil libertarians and has been summarily dismissed by some of those who have treated it.

At least one congressman who has repeatedly introduced national handgun prohibition bills strongly denies that their enforcement will require or result in significant violations of the Fourth Amendment's ban on unreasonable search and seizure.

> *Given the enormous number of items currently prohibited by law, it seems highly unlikely that the addition to the list of one more illegal commodity would lead to a significant increase in the incidence of police searches. Gun control advocates do not envision or support massive police intrusions into private homes in search of handguns; the constitutional requirement of a specific warrant obtained as a result of corroborating evidence and signed by an impartial magistrate would remain enforced to preclude unreasonable searches.*

The author of these comments, Rep. Robert F. Drinan, is a distinguished legal scholar and civil libertarian. But other civil libertarians take the potential constitutional costs of a handgun prohibition much more seriously—even though agreeing (in the abstract) that handgun prohibition would be desirable if *constitutionally* enforceable.

ACLU executive director Aryeh Neier comments:

> *I want the state to take away people's guns. But I don't want the state to use methods against gun owners that I deplore when used against naughty children, sexual minorities, drug users, and unsightly drinkers. Since such reprehensible police practices are probably needed to make anti-gun laws effective, my proposal to ban all guns should probably be marked a failure before it is even tried.*

Similar is the appraisal of Dr. Donald T. Lunde, a professor of psychiatry and of criminal law at Stanford University. After asserting his belief that banning all firearms would significantly reduce homicide, he says:

> *. . . but how would we go about disarming the most heavily armed population in the world? [The passage of such legislation would not produce compliance among] the millions who are opposed to gun controls or the millions who currently possess guns obtained illegally. Enforcement of nonvoluntary provisions would be unworkable: The search and seizure aspect of such provisions would infringe on civil liberties and would require vast resources of manpower and money which are unavailable.*

"We should never ask for the elimination of a guaranteed right of the people—there aren't too many left anymore."

ENFORCEMENT POWERS

One reason why other civil libertarians are facing up to the dangers to which Rep. Drinan is so blind is the evidence accumulating daily to refute his confidence that "gun control advocates do not envision or support massive police intrusions." Unfortunately, that is precisely what a growing number of prominent handgun prohibition advocates do envision and support.

On October 7, 1977, federal appellate judge Malcolm Wilkey published in the *Wall Street Journal* a guest editorial urging the Supreme Court to abandon the exclusionary rule (whereby illegally seized evidence may not be used in court), a rule it has adopted to enforce the Fourth Amendment. His argument centered on the rule's effect upon gun laws, though he was concerned with drug laws as well. It is only when closely compared to the ordinary criticisms of the exclusionary rule that the unique, and uniquely ominous, character of Judge Wilkey's criticism becomes apparent. For only then does it become clear that it is not the exclusionary rule of which he wishes to be rid, but the Fourth Amendment.

As Judge Wilkey himself says, it is the requirement of "'probable cause' to make a reasonable search" that defeats gun control laws. But that requirement is not part of the exclusionary rule; it is part of the Fourth Amendment. It *is* the Fourth Amendment. The exclusionary rule merely provides that when police obtain evidence by violating the Fourth Amendment, that evidence cannot be used in the trial. This rests upon the Supreme Court's commonsense realization that police are much less likely to break into houses, etc., without probable cause if they know in advance that they cannot use any evidence they obtain this way.

Most critics of the exclusionary rule argue that it is unnecessary because (they say) the police can be adequately deterred from illegal search by the prospect of being criminally prosecuted or of civil liability. Judge Wilkey is unique among the critics in that he *agrees* with the Court that the exclusionary rule is the only really effective way of curbing police violations of the Fourth Amendment. The very thing he condemns about the exclusionary rule is that it does work, that it does prevent the mass searches without probable cause that he believes are necessary to make a gun confiscation law effective.

What Judge Wilkey seeks is a judicial repeal of the Fourth Amendment, so that, while it would remain in theory, in fact it would be unenforced. So much for Rep. Drinan's assurance that under handgun confiscation "the constitutional requirement of a specific warrant [based on probable cause and] signed by an impartial magistrate would remain in force to preclude unreasonable searches."

NO 1984?

Judge Wilkey's views do not represent an isolated aberration among the advocates of handgun confiscation. A few months before his article appeared, the *Detroit Free Press* published a guest editorial by police inspector John Domm. He called for "reinterpretation" of the Fourth Amendment to allow police to swoop down on strategically located streets, round up pedestrians en masse, and herd them through portable gun-detection machines. The same idea was heralded in the September 1977 *Harper's* by Stephen Brill, a leading handgun pro-

hibitionist who has elsewhere urged that local police and federal agencies should model gun law enforcement on the manner in which drug laws are enforced.

These views are by no means new. In a book that prohibitionists have quoted and endorsed ever since its publication in 1970, Norval Morris and Gordon Hawkins advocated the prohibition of all firearms. To enforce this they called for the development of "portable and discriminatory monitors capable of secretly searching anyone passing through a door or along a footpath to ascertain if he carries a concealed gun." They continued: "There are surely no 1984 fears in this. There can be no right to privacy in regard to armament."

Professor Morris, former dean of the University of Chicago Law School, was recently nominated to head the federal Law Enforcement Assistance Administration. On September 27 and 28, 1978, under exceptionally severe questioning from members of the Senate Judiciary Committee, he retreated from the quoted statements, describing them as "stupid simplifications," "inept overstatements," "an author's aberration," "rather science fiction," and "Utopian views." Needless to say, this Utopia is not that of the traditional civil libertarian. Neither, apparently, is it that of the Senate, which failed to approve his nomination.

AGAINST TYRANNY

Handgun confiscation poses an enormous hazard both to the continued health of the Fourth Amendment and to the development of its still fragile child, the constitutional right of privacy. Civil libertarians who embrace the confiscation cause risk being seen—and correctly so—as supporters of constitutional values only insofar as these inhibit legislation they care little about, but not their own pet proposals. If civil libertarians instead forthrightly oppose confiscation legislation because of its constitutional dangers, they not only help avert those but seize a momentous opportunity as well. That is the opportunity to educate and sensitize our nation's 50 million handgun owners to civil liberties. There is evidence that gun owners may be ready to rally behind this type of leadership if civil libertarians are ready to give it.

Harlon Carter, executive vice-president of the National Rifle Association, was formerly head of the United States Border Patrol. In that position he, like most other police officials, opposed the exclusionary rule. Since joining the NRA, however, his position has altered 180 degrees. In fact, since federal handgun confiscation was first proposed in the early 1930s, the NRA has consistently pointed out the dangers it presents to Fourth Amendment rights. It has also taken the lead in publicizing Fourth Amendment and other constitutional violations against gun owners by federal officers enforcing federal gun laws —violations about which the ACLU has generally remained silent.

Illustrative of the "consciousness-raising" such publicization can produce among gun owners is their reaction to Inspector Domm's proposal for "reinterpretation" of the Fourth Amendment. Though no civil liberties publication seems to have mentioned it, the Domm proposal was fully reported in the monthly national magazine of the NRA. The response it received—from a police officer, no less—was a letter that no civil libertarian can fault either in its invocation of hallowed constitutional traditions or in its dire conclusion:

. . .John Domm was quoted in the March issue as urging a rewrite of the Fourth Amendment.

Have we lost sight of why there are Amendments to our U.S. Constitution? The reasons are clear to me. They are to protect the citizens of our country from government. I am not talking about foreign government.

Our founding fathers knew what it was like to live under a government which allowed anything for government and guaranteed nothing for the governed. They decided that when they finally won out over this tyranny it would not happen again, not in their country. So they wrote in safeguards right from the beginning, and they wrote them clearly, strongly and very to the point.

I am also a police officer of ten years and more service. I know about the fear of police officers and the problems of weapons in the hands of criminals. I am also very much aware that as police officers we are extensions of the government. We enforce the rules of government, no matter what level. I will never ask for or hope for any law which will give me or any other police officer the right to search and seize with any greater freedom than is already at hand.

We should never ask for the elimination of a guaranteed right of the people.

There aren't too many left anymore.

Restricting Handguns: The Liberal Skeptics Speak Out *is available from North River Press, Box 241, Croton-on-Hudson, NY 10520.*

Field

(*Continued from p. 34.*)

tions to every problem has collapsed completely as the economics profession has joined the other side. The inevitable result is more and more government domination of the entire economy.

RETURNING TO OUR SENSES

The only bright spot on the horizon is the gradual movement of many economists away from Keynesian economics. The first evidence of this was the surging popularity of Monetarism in the 1960s and early 1970s. The Monetarists have opposed the use of such direct, obvious actions as fiscal policy, wage and price controls, and national economic planning; but they suffer from deficiencies of their own—an excessively narrow concentration on the money supply and an almost exclusive concentration on aggregates. These and other failings have led to at least a leveling off if not a fall in the popularity of Monetarism.

In the second half of the 1970s, the most exciting trend occurring in economics is the revival of the Austrian viewpoint. Austrians, among all economists, have been most consistent in sticking with the ideas of Adam Smith and extending them further. Their emphasis is always on individual action and the indirect, obscure, unintended consequences of such action. They still constitute only a small minority of the profession, but they offer the best hope for the future.

Even if the battle within the profession is won, we still will have the much more difficult task of convincing the general public and the politicians. It may be that we will have to experience wage and price controls, national economic planning, and public service employment to a substantially greater extent than we have done so far in order for economists and the public to experience the disastrous results of such policies. Then, perhaps, it will be possible to return to a more rational, patient, sophisticated view of economic theory and policy.

William Field is an associate professor of economics at Nicholls State University in Louisiana. He has himself moved from Keynesianism through monetarism toward Austrian economics.

National Review: Round 2

viewpoint

Alan Reynolds

To its credit, *National Review*'s August 3, 1979 issue published a number of objections to the earlier assault on libertarians by Messrs. van den Haag and Cott. My own contribution, admittedly too long and rambling, was shortened to fit. Some of the material that was cut will be quoted here to help clarify the rest.

Ernest van den Haag found "no point in responding" to my "pointless confusion," so perhaps there is no point in responding to his refusal to respond. Still, the equally irrelevant replies to a number of his other critics indicate that more patience may be required to get the points across.

To the rather serious charge of having misrepresented the mainstream of libertarian thought, van den Haag merely replies that Murray Rothbard and Roy Childs are among the featured speakers at the Libertarian Party convention. Yet the Libertarian Party's entertainment committee has no more authority to define the essence of libertarian thought than Republican conventions could be described as the embodiment of the theoretical ideal of conservatism. Murray Rothbard has also been a featured speaker at the Mont Pelerin Society, to which both van den Haag and I belong, yet van den Haag doesn't therefore conclude that the Society has "gone kooky." He also conveniently ignores my contrary evidence that the Rothbardian camp is a small "radical caucus" even within the Libertarian Party, as he does Bob Poole's survey results indicating low support for the caucus positions within the California LP and the Society for Individual Liberty.

My claim that REASON is far more typical of libertarian thought than is *Inquiry* is dismissed as "wishful thinking." *Inquiry* is a new, heavily subsidized magazine that makes no pretense of being libertarian. Rothbard explicitly writes that *Inquiry* is not "strictly speaking" libertarian; the word is almost taboo at that journal. REASON is older, larger, and unambiguously libertarian. A section of my letter that was cut pointed out that REASON had itself published two critiques of *Inquiry* over a year ago.

Van den Haag prefers to use the Libertarian Party as a source but ignores letters from its two past presidential candidates explicitly disassociating themselves from the Cato Institute. These are facts, not wishes, despite van den Haag's stubborn refusal to acknowledge that an attack on *Inquiry* is not an attack on libertarian ideas.

Here is a relevant passage omitted from the published version of my letter:

> *One might suppose that conservatives would be particularly sensitive toward the practice of discrediting a whole body of thought by highlighting the more extreme views of an extreme faction. It was not so long ago that all conservatives were widely dismissed as "extremists" or the "lunatic fringe." Subtle distinctions, as between* American Opinion *and* National Review, *are sometimes crucial.*

It would be rather easy to pull strange quotes from a variety of publications that might be loosely labeled "conservative" and use that to indict the entire body of thought. Personally, I wouldn't have the stomach for it.

Van den Haag takes me to task for "irrelevant quotations," which is interesting, since most of the surviving quotes were from him. Still, the meaning of contrasting his remarks with those of Hayek, Meyer, and Burke was probably lost in the condensation. I was indeed saying that van den Haag's pragmatism is not even recognizably conservative. He just suggests that we look at each case of State "coercion (law)" and see if it serves some useful purpose, regardless of legal tradition, natural rights, or any visible concept of morality. If he did not mean to "equate" law with coercion by treating one as a parenthetical synonym for the other, I can't imagine what he did mean. If I wrote that "every lasting relationship requires love (sex)," people might reasonably assume that I equate love and sex. Van den Haag's remarks about "enforcing" social norms likewise seem to mean just that.

No editor should resent being edited, but here is one missing passage that seemed to cut out the bone of my argument rather than the fat:

> *The late Frank Meyer* (In Defense of Freedom, *1962*) *noted that "the liberal-collectivist dogma. . . assumes the existence of an organism, 'society,' " as the being to which, and to the good of which, all moral (and by the same token, political) problems finally refer.*

One can imagine what Meyer would have thought of van den Haag's interpretation of conservatism, in which people revert to cannibalism unless "society" imposes on individuals a virtuous cultural and social order "articulated and defended in essential respects by the state, through the monopoly of legitimate coercive power."

In contrasting Hayek's views with those of van den Haag, I likewise concluded that "the rule of law in conservative thought never before meant the momentary whim of legislators." If I were a little more paranoid, I might wonder why there was room for my chatty conclusion but not for this passage:

> *So we have two intellectual pillars of the American right, Meyer and Hayek, describing crucial liberal-collectivist themes in terms that sound essentially the same as van den Haag's ideas regarding society and law. Little wonder that the libertarian emphasis on individuals is unwelcome from the perspective of an organic view of society and a Hobbesian view of legislative omnipotence. What is surprising is that the latter passes for conservatism.*

It is true, as he insists, that van den Haag "did not accuse Rothbard of Communism." It is equally obvious that I did not accuse him of making that accusation. What I did say (condensed out of the published version) was this:

> *Van den Haag insinuates that all libertarians are totalitarian because Murray Rothbard hopes to establish a group of full-time people to spread the word. But what is the American Conservative Union if not "an organization*

to advance and propound the truth"? It is not inconceivable that Lenin could teach the opposition something about strategy, and that doesn't imply totalitarian goals or violent methods.

Cott calls Rothbard "an apologist for Stalin" simply because Rothbard makes the obviously correct observation that Stalin "failed to make adequate provision against Nazi attack." Cott claims that Rothbard "ignores" the pact with Hitler, yet Rothbard clearly says that pact was the cause *of inadequate Soviet defense. Cott claims that Rothbard also "ignores" the Soviet recaptures of Lithuania, Latvia, and Estonia and the battle with Finland, yet all of this is discussed on the same page of Rothbard's book.*

Incidentally, I don't agree that we must rule out practical alliances with persons whose views are otherwise antithetical—environmental extremists and free marketeers against synthetic fuel subsidies, for example, or leftists and Friedmanites against the draft. This—not force or violence—is what van den Haag somehow describes as "unsavory alliances" and "Communist tactics." And from that flimsy "evidence," he leaps to the unsupported conclusion that anarchists are really "totalitarians." It is probably surprising to van den Haag, but some of us don't like being called "totalitarian" much more than we like being called "communist." (Speaking of "unholy alliances," what would my friends call me if they knew that I once coauthored half a book with van den Haag?)

Van den Haag closes by accusing his critics of "evasiveness" (in my case, "prolix contentiousness") and of not offering a "defense of libertarianism." This feeble effort to shift the burden of proof is unconvincing. Van den Haag has not even adequately defined what it is he is attacking and has deliberately ignored many entire books defending libertarianism. It is sufficient for the critic of an article to point out its errors of fact and logic rather than to write another article.

Here, for example, is yet another missing piece of my original critique:

Some libertarians are isolationists like the Old Right (H. L. Mencken, Robert Taft), but others are not. Some may be persuaded by Rothbard's arguments for disarmament (or at least by the observation that when government expands for war it rarely shrinks in the subsequent peace), but others see unacceptable risks. In short, "libertarian" is no more monolithic a concept than is "conservative." Being individualists, libertarians generally think as individuals. The common theme is simply to maximize the realm of individual choice and to establish rules and procedures that prevent people from initiating force against others, whether privately or by manipulating the state.

I did not write a defense of those ideas because they don't seem to need defending—certainly not against van den Haag and Cott.

The conclusion from my unexpurgated version will still serve in this rerun:

There is certainly nothing wrong with swapping criticisms of specific proposals of specific individuals and groups within the libertarian or conservative camps. But such criticisms must accurately describe what they are opposing, explain why it is wrong by accepted rules of logic and evidence, and not seek to translate a limited area of disagreement into a wholesale repudiation of an entire generic category of social thought. That is, a critical analysis of, say, Rothbard's isolationism or Nozick's concept of natural rights must grapple with their arguments and must not pose as a blanket indictment of all libertarians. Both van den Haag and Cott clearly fail these simple tests of mature debate.

taxes

Now Is the Time

This is the most important REASON tax column you will read this year. *So*... Do I have your attention? Then listen to this: *now* is the time to get your tax affairs in order for 1979. Not in December, not in January or when you have your taxes done—do it *now*.

Well, why is that? you want to know. Glad you asked. Everyone should be reading this in late October and November. This is a time when your tax/financial situation for the year is usually pretty clear. But much can be done in these last couple of months if you want to really save tax money. It's not the perfect time—better yet to start year-end tax planning around September—but it's still good.

Happily enough, this is also a time of the year when much of the tax industry is nervously sitting around drumming its collective fingers. The whirlwind begins in January and February. Right now they have time—plenty of time to talk and work with you.

As is constantly pointed out in tax literature, there's a considerable difference between a "tax planner/advisor/preparer" and a mere "tax preparer." The latter simply reports on the tax forms what has already happened over the previous year. The former is capable of actively planning and directing your year-end financial behavior so as to minimize—or eliminate—your upcoming tax liability. Needless to say, you want to sit down and talk with the more versatile type. Find one and get an appointment with him or her *now*.

How to do *that*, you ask? The best way, of course, is to already know a tax expert you respect and trust—or have a *friend* who knows someone. Not the case with most of us. Okay, start asking around. Who handles your friends' taxes? Are they involved in planning, as well as executing (heh, heh), tax forms? Are they open for consultation year-round? (No tax man worth his gold and silver shuts down entirely during the year.) In asking around, don't neglect your libertarian friends and contacts. They often know qualified professionals (of all types, I might add) with a healthy philosophical orientation. Patronize them.

If you have no luck in that way, start doing some walking through the yellow pages. Look under "tax consultants," "income tax preparation," "tax preparers," "attorneys—taxation," "accountants," etc. Pick out a likely collection and call them up for interviews. If you can, get in a few minutes of questions with them on the phone. If they sound good, go in and talk with them. Many will charge nothing for an initial interview—and those too busy to talk with you for a few minutes may also be too busy to spend the necessary time and personal commitment on your taxes.

As for what to look for, check how much experience they've had, whether they handle audits of their own work (and at how much extra cost), their educational background, their general attitude toward government and taxes (very important: the good tax fighters are very forthright in their commitment to their clients and the law as they see it—which may not be the same as the IRS sees it). Ask also about range of fees and year-end tax planning.

Find the individual you want to work

(*Continued on p. 47.*)

spotlight

Department Builder

Academics rarely possess the qualities necessary to manage the affairs of a major institution. Such tasks as fund raising seldom become them. The trauma of graduate school and the monk-like toiling on academic work usually leave their mark. Or perhaps the reverse is true, that often only a certain type of individual can survive the rigor of academia. Whatever the reason, only a few individuals have the qualities needed to do both—let alone succeed. One such rare individual is James Clayburn La Force.

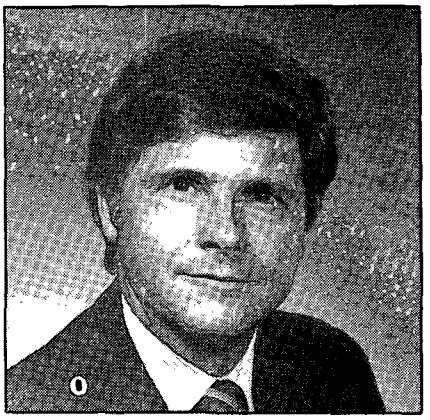
La Force served as chairman of UCLA's Graduate Department of Economics from 1969 to 1978 and now, at 49 years of age, heads the university's Graduate School of Management, one of the country's highest-ranked graduate business schools. A native Californian, La Force is an economist, having received his doctorate from UCLA and then serving on its faculty for 23 years.

During the nine years he chaired the department, it jumped from the top 20 schools nationally to the top 10, an impressive enough accomplishment for any departmental chairman. Yet this particular achievement, occurring while most of the University of California system was in decline because of stagnant state funding, is all the more amazing.

By emphasizing immediate real-world problems and insisting on a scientific approach, La Force helped to build a unique department. Unlike other major departments (with the exception of the University of Chicago), which have purposely hired only "one or two free-market types"—a "house conservative"—he says that UCLA did not give preference on "ideological grounds." Instead, there was an insistence on objectivity, and that might be what distinguishes UCLA. The result is a well-balanced department—"You don't see the spectrum at other major departments that you see here."

When he discusses the importance of objectivity in studying the market, La Force cites the analogy of doctors. "They study the human body in all of its vast complexities, and the more they study it, the more they understand the mysteries of it and the more they are in awe of it. I think this is true of economists if they are able to look at the thing objectively. If they do not go into it with hate in their heart, with notions that it is a cruel and inhuman system, if they are not blocked and can look at it openly, then they can see the real intellectual beauty in the market."

While most other economics departments specialize in devising abstract models, La Force built on the department's traditional strength and stressed the analysis of concrete problems. UCLA "wanted people," he explains, "who were empirically orientated, would test hypotheses, and the hypotheses would be directed toward issues that are hurting us right now." A happy dividend of this reemphasis on immediate, real-world problems is that it "has helped revive interest in the free market" by reminding economists how well it solves problems.



J. Clayburn La Force

Although its objectivity and style of analysis have contributed to the school's being labeled "a free-market department of economics," La Force calls this a "misconception." People believe that the department has this policy orientation "because it is balanced, because it has more than the average number of free-market scholars." And, he admits, "over the years some of the dominant individuals, the dominant intellectuals, such as Alchian, Demsetz, and Hirshleifer, had these social values." Not every professor shares their views, however. His aim was to improve the department, so he had to consider the fact that "you limit who you can hire if you say you will only hire people with the same view as yours." It was quite an accomplishment, then, to bring Robert Clower, a "very high-quality intellect" and a "liberal," to the department.

La Force's forte has proved to be fund raising. Without money to expand its program, the department could not have been successful, for "attracting good faculty and students is not cheap." And so he devoted a good deal of time to fund-raising appeals. While he worked by personal contact, the key to his success proved to be the department's own emphasis on current issues. For in asking corporations or foundations for funds, you "need to show that what is happening in your department is... relevant to important problems facing their companies and our nation right now."

Since mid-1978 La Force's attention has turned toward enhancing the UCLA Graduate School of Management. His prime objective is to improve the teaching of technical aspects of management, but he has also established such new programs as a privately funded chair in "Business and Society." This program will focus on "the relationship between government and business" and the causes of government's "increasing control and regulation" of business. This area "needs a lot more research," he says, and promises exciting results.

La Force tries to avoid labels. "I like to think I'm a free intellectual agent. I don't even like to be called a conservative—it has an anti-intellectual ring. If you're a social scientist, open to inquiry, it's offensive to be portrayed as an ideologue." Yet, labels aside, "over the years" he has "developed a great appreciation for a private, market-price-directed system, a great appreciation for its complexity and the fact that it works."

La Force's efforts to build up the economics and business programs at UCLA are not the sort that produce immediate changes in society. They can only affect things very gradually, and he realizes this. In talking about the economics department, he sums up the purpose of his work: "The most important thing that the department has done is education, training people—the number of Ph.D.'s that have gone on and are out there working right now and have these insights and directions of thought. It is very important in that sense."

—John R. Lott

movies

• Apocalypse Now • Breaking Away

• Francis Ford Coppola's long-awaited epic **APOCALYPSE NOW** has finally reached the screen, after two years of filming and an expenditure of $30 million before advertising. It gave promise of being the ultimate cinematic word on Vietnam, which it is not. But it is tremendously impressive visually and auditorily; the photography is so studiedly beautiful that it is often like a series of paintings. Every technical aspect of the film is done with tender loving care; Coppola has an unfailing sense for cinematic rendering.

Yet the film is a disappointment, chiefly because of its pretentiousness. It tries for deep meanings and profound significance, which it lacks—or if it's there, its import is never made clear, starting with the title itself. The film sets out to be about the Vietnam war, and the first half (much better than the second) gives us quite a bit of the sight and sound of war and what it feels like to be attacked; but then in the second half we switch course and center attention on the psychology of power in the form of an army colonel (Marlon Brando) who has apparently gone berserk and another officer (Martin Sheen) who has been sent from Saigon to "terminate" him. It is never quite clear whether the colonel wants to win the war for America in his own way, being opposed to the "officer-clowns" who are losing it for the US, or whether he is past all national allegiances and just wants to rule the lives of others for the thrill of exercising power.

There is a conscious analogy with the plot of Joseph Conrad's great story *Heart of Darkness*. In both cases someone goes up a winding jungle river to ferret out someone long since absent from civilization; in both cases the man sought is named Kurtz (hardly a coincidence); in both cases he has become a petty dictator with power of life and death over native people (and a power of garnering unquestioning allegiance, like Rev. Jones); and in both cases he dies with the same words on his lips, "The horror, the horror." But Conrad pursues this theme with subtlety and conviction and such masterly use of language that the reader feels the savagery of the jungle closing in on him, stifling him, choking him; whereas in Coppola the actors just go through the motions (it's not even clear in the film what "the horror" refers to). The colonel (Brando) mouths lines of poetry that don't exactly fit into the context given and that he himself doesn't really seem to understand; Coppola is just beyond his depth here, and Brando doesn't help him. Perhaps we are supposed to be impressed just by the visual effects, the darkness with shifting patterns of light, the fog and the steaming jungle, the silent tragic faces; but beneath all these exquisitely wrought effects lies—nothing. Mystical gobbledygook is no substitute for genuine significance, although unprobing minds may easily mistake the first for the second. When the film takes the turn from the Vietnamese war itself to the pursuits of the renegade officer Kurtz—who was not really behaving much less insanely than the American lieutenant himself (brilliantly portrayed by Robert Duvall)—it makes its major mistake, from which it never recovers.

Comparisons with *The Deerhunter* are inevitable, since they are the two most ambitious films about Vietnam. *Deerhunter* comes off better in almost every way. *Deerhunter* is a tragedy in three acts: lives before the war, lives during the war, and lives later scarred by the war. There is not a wasted moment, not a sequence, however small it seems, that does not build up in its almost miraculously paced rhythms into something of savage intensity and impact. It really takes a second exposure to this remarkable film to realize how marvelously all this is done. *Apocalypse*, by contrast, staggers along, moving toward its conclusion like a lumbering hippopotamus, and disappointing when it comes (without even so much as a genuine confrontation after all the buildup). And *Deerhunter* achieves what it does without a trace of claptrap, cant, or mysticism. It is much more rewarding to see *Deerhunter* a second time than to see *Apocalypse* the first.

—John Hospers

• Not many so-called comedies succeed in being funny. It isn't only that they try too hard to get laughs, and the strain shows; it's that they go in for gags and gimmickry, and the fun doesn't grow out of the character.

But it does in **BREAKING AWAY**, and for this reason this is one of the most heart-warming comedies of recent years. The protagonists are recent high school graduates with no place to go and nothing to do; the University of Indiana at Bloomington, where the picture was filmed, has not admitted them. The plot-string on which the beads of incident hang is the tension between university students and "townies." This is the first film I know of that treats the subject in detail.

But that is the least of its virtues. There is much of the tragicomedy of growing up: when some mature and others don't and interests change and people aren't what they were before, does one sustain old friendships and pretend that time hasn't passed? A film of about a year ago, *Big Wednesday*, tried to deal with this question, with as total a lack of success as this one's positive success. The film is brimful of insight into human strengths and weaknesses, is funny without being contrived and moral without being preachy. Nor are the characters treated as heroes. They can hardly be said to be imbued with "the good old American spirit." They want the freedom but not the enterprise and won't accept a summer job unless all four are employed together, which they know is very unlikely. One of them does defect and get a job, but when he is a minute late and the employer says, "Punch the clock," he punches it so hard with his fist that it shatters and he roars away. Another consents to work in his father's used car lot chiefly by giving huge refunds for defective cars. But the way the father-son relation gradually changes from contempt to respect and finally to love is marvelously, and quite unsentimentally, done.

"How's the summer going?" asks a merchant of one of the June graduates who has no plans for college or anything else. "O.K.," he replies, "only we're a little worried about developments in the Middle East." Thanks to his public school education, he has about as much knowledge of the Middle East as a dog baying at the moon has of the sidereal universe, but this doesn't mean that he couldn't be tragically drawn into such things at a moment's notice.

That all these possibilities for tragedy lie shimmering just below the surface, unbeknownst to the very people who are involved in the action, may be one reason why in this film while one laughs there is a catch in one's throat. There is much in the world that is rich with possibilities for laughter and good feeling, but the film, like life itself, never quite lets us forget that no matter how hearty the laughter, if you keep your ear to the ground you will never entirely cease to hear the insistent throbbing beat of "the still sad music of humanity."

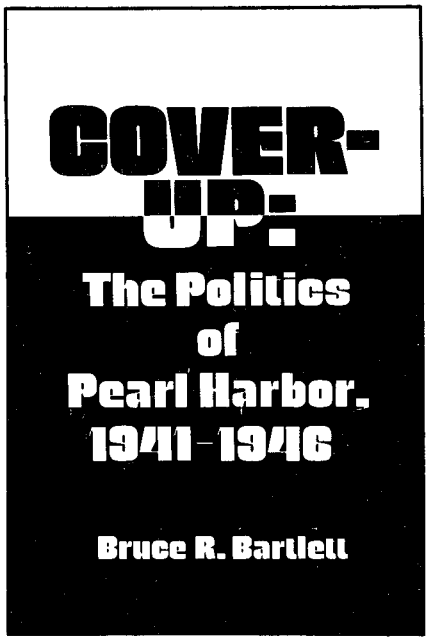
—J. H.

books

Cover-Up

By Bruce R. Bartlett.
New Rochelle, N.Y.: Arlington House.
1978. 189 pp. $8.95.

Reviewed by Jeffrey Rogers Hummel



Bruce Bartlett's *Cover-Up* is one of the few revisionist books on Pearl Harbor to appear in over two decades. Pearl Harbor revisionism got its start from that indomitable journalist John T. Flynn. In 1944, while World War II was still raging, Flynn published a small pamphlet, *The Truth about Pearl Harbor.* After the Japanese surrender in 1945 he issued a second, *The Final Secret of Pearl Harbor.* Flynn's pathbreaking exposes were largely responsible for the joint congressional investigation into Pearl Harbor during late 1945 and early 1946.

The heyday of Pearl Harbor revisionism followed, marked by the classic works of Charles A. Beard, George Morgenstern, Harry Elmer Barnes, and Charles Callan Tansill. By the mid-'50s, unfortunately, revisionist scholarship on American entry into World War II had run its course. Only a few books, pamphlets, or articles—such as Barnes's final essay on the topic, posthumously published in *Left and Right*; or Bruce Russett's very brief *No Clear and Present Danger*—have emerged since them. Even New Left historians, with the notable exceptions of Lloyd C. Gardner and Robert F. Smith, have been relatively silent on the issue.

Despite its apparent decline, however, revisionism has had a major and lasting impact on the orthodox historical interpretation of Pearl Harbor. To fully gauge this impact, one must carefully distinguish among the various strands in revisionist thinking. There are four related but distinct charges that characterize revisionist writings; they are listed here in order of increasing severity. Revisionists, not surprisingly, disagree among themselves, some holding to the less severe charges without endorsing the others.

Charge 1: President Roosevelt, for whatever reason, wanted to lead the United States into World War II, despite significant isolationist and anti-interventionist opposition among the American people. In order to achieve this goal, Roosevelt first attempted to provoke Germany into declaring war against the United States. When that failed, he used increasing economic sanctions against Japan to maneuver its government into firing the first shot at Pearl Harbor. At the same time, in order to sustain his popularity, Roosevelt lied to the American people about his intentions, disguising his steps toward war as measures to avoid conflict.

Charge 2: As a result of the success of U.S. military intelligence in breaking the most secret Japanese code, the Roosevelt administration was fully aware of the consequences of its policies upon the Japanese government. Prior to Pearl Harbor, the administration knew that war with Japan was imminent. Roosevelt anticipated a Japanese attack on December 7 or soon thereafter.

Charge 3: Through the deciphering of the Japanese code, the Roosevelt administration knew not only the exact *time* of the Japanese surprise attack but also had deduced the exact *location.* The administration, however, failed to warn adequately the commanders at Pearl Harbor of the impending attack. This black-out of Hawaii was deliberate because the administration suspected (correctly, as it turns out) that any signs of preparation for an attack on the part of U.S. forces would cause the Japanese to call off the strike, thus averting war.

Charge 4: Roosevelt set the fleet up for attack. Against the advice of his naval commanders, he moved the Pacific Fleet from the West Coast of the United States to Hawaii, exposing it as a decoy to induce a Japanese attack.

Orthodox historians, while they refuse to admit it, have in effect almost totally incorporated the first of these four revisionist charges into their interpretations. Although some early court historians—Basil Rauch, for instance—endeavored to portray Roosevelt as sincerely interested in peace, most now agree that Roosevelt hoped to plunge the country into war at the earliest opportunity. The orthodox historians do not dispute the factual accuracy of the revisionist claim but rather argue that American intervention in World War II was a worthy goal—indeed, vital for national security. Many go so far as to criticize Roosevelt for not dragging the United States into the war fast enough!

Most of these historians also agree that Roosevelt was far from completely honest with the American people. Some, like Thomas Bailey, defend Roosevelt's duplicity as necessary. "If he was going to induce the people to move at all," writes Bailey about Roosevelt, "he would have to trick them into acting for their best interests. He was like the physician who must tell the patient lies for the patient's own good." Other historians, like Robert Divine, hold that Roosevelt's deviousness was merely a gratuitous personality quirk; Roosevelt could have drawn the United States into the war just as easily if he had been forthright with the public about the extreme peril they faced from Axis expansion.

Amazingly, orthodox historians have also largely accepted Charge 2. There is still considerable disagreement over whether naval intelligence actually received and distributed the famous "winds execute," but many other decoded messages whose reception and distribution is beyond doubt have established that Roosevelt and his advisors knew that war with Japan was rapidly approaching.

What remains an open question is not whether Roosevelt expected a Japanese attack but precisely where he expected that attack to occur. The primary, although not the only, evidence supporting Charge 3 consists of what are called the "bomb-plot" messages. These were instructions sent by Tokyo to the Japanese consulate in Honolulu and intercepted by Washington. They required the Japanese consulate to gather and send back elab-

orate and detailed information on the deployment of American warships in Pearl Harbor. If properly interpreted, the "bomb-plot" messages pinpointed Pearl Harbor as the location for the attack, since Tokyo made no requests for similar information from any other location.

Roberta Wohlstetter and the other orthodox historians who have dealt with these messages contend that they were not properly interpreted because of simple human frailty and "noise" from competing intelligence signals. Consequently, Roosevelt and his closest advisors all expected the Japanese attack to come somewhere in the Far East, most probably the Philippines. This false expectation explains the failure to give the Hawaiian commanders, Kimmel and Short, an unequivocal warning. Occasionally, orthodox historians also attempt to shift the responsibility to Kimmel and Short by arguing that the Hawaiian commanders did not appropriately respond to the meager "war warnings" they did receive.

If orthodox historians reject Charge 3, then obviously they consider Charge 4 totally preposterous. Even for many revisionists, the claim that Roosevelt intentionally exposed the fleet to attack is much too extreme. Since, as far as we know, there is no written confirmation of Roosevelt's motives, this charge remains a speculative surmise based on circumstantial evidence.

Now let us see how Bartlett's new book fits into this overall schema. In general, *Cover-Up* is a very cautious revisionist survey. The first three chapters provide a brief review of America's entry into the Second World War. These chapters rely heavily on previous secondary works and add very little that is new. In them, Bartlett reaffirms the first two revisionist charges while explicitly disavowing the second two. Nevertheless, Bartlett's summary is able and well integrated, probably as good an introduction to the revisionist case as anyone unfamiliar with the subject will find.

The heart of Bartlett's book begins with his fourth chapter and is an account of the various Pearl Harbor investigations. Percy Greaves, chief researcher for the Republican minority during the congressional investigation of Pearl Harbor, wrote the only previous account of these investigations in *Perpetual War for Perpetual Peace*, a revisionist collection edited by Barnes. Greaves's contribution, however, did not go much beyond treating the investigations as sources of information. Bartlett, by looking at them as historical incidents of interest in their own right, covers new ground.

Bartlett has something to say about all nine or so (depending on how you count them) of these investigations, but he focuses most extensively upon the final congressional probe. He does an excellent job of recounting the efforts of the government and military officials to protect themselves from all four of the revisionist charges. Bartlett's narrative clearly demonstrates that, without the persistence of the Republican members of the investigating committee, the Democratic majority not only would have cleared the Roosevelt administration of the last two revisionist charges but also would have successfully suppressed the truth of the first two charges.

As a final service, Bartlett has reprinted in its entirety Flynn's seminal pamphlet, *The Final Secret of Pearl Harbor*. It is a pity that Bartlett, while he was at it, did not also include Flynn's earlier *The Truth about Pearl Harbor*.

I have only two reservations about Bartlett's presentation. First, it is just too short. His entire text runs only 127 pages. His book, therefore, is little more than an overview; a summary of new material about the Pearl Harbor investigations is prefaced with a summary of old material about America's entry into the war. Bartlett cannot avoid giving many subjects superficial treatment. Thus, while his book is a good introduction, it is very far from being a comprehensive revisionist account of the Pearl Harbor investigations, let alone a comprehensive revisionist account of the Pearl Harbor attack. The definitive accounts of both of these subjects still wait to be written.

My second reservation with Bartlett's book, one that I have already hinted at, is more serious. I believe that his revisionism is far too restrained. He is far too willing to accept the excuses concocted by orthodox historians to protect the Roosevelt administration. With Bartlett's rejection of the third and fourth revisionist charges, the contents of his book become hardly distinguishable from what has already found its way into orthodox interpretations.

Let me round out this review by listing a few of the items that, in my opinion, make Charge 3 very close to certainty and make Charge 4 at least reasonable speculation. Some of these items Bartlett mentions in his book; others he does not.

- Naval planners always assumed that if the Japanese ever started a war with the United States they would attack the Pacific Fleet, wherever it was located. The Navy demonstrated the vulnerability of Pearl Harbor to air attack during maneuvers as early as 1932 and again in 1938. Defense plans prepared as late as April of 1941 accurately described a carrier-based air attack on Pearl Harbor. (Mentioned by Bartlett.)
- In April 1940 Roosevelt ordered the Pacific Fleet from the West Coast to Pearl Harbor. When Admiral Richardson, the commander of the fleet, protested this move because it left the fleet dangerously exposed to attack, he was relieved of command. (Mentioned by Bartlett.)
- In January 1941 Ambassador Grew in Japan passed on to Washington a rumor given to him by the Peruvian ministry that the Japanese were then planning a surprise attack on Pearl Harbor. (Mentioned by Bartlett.)
- Deciphering the main Japanese code, called Purple, required the assistance of a special machine, several of which were built. In the summer of 1941, Washington rerouted the Purple machine originally designated for Pearl Harbor to the British, who already had one. This prevented the Hawaiian commanders from reading decoded Japanese messages themselves. U.S. forces in the Philippines, on the other hand, had their own Purple machine. (Mentioned by Bartlett.)
- Kimmel and Short made frequent requests for additional planes so they could conduct an adequate aerial reconnaisance around Pearl Harbor. Washington ignored all these requests. (Not mentioned by Bartlett.)
- Just in case the Japanese moved against the British and French in the Far East without striking at American possessions, Roosevelt ordered the naval commander in the Philippines to send three small ships to intercept any Japanese naval forces participating in such an operation. The commanders of the small ships understood that they were being sent on a suicide mission to provide a *casus belli*. Although not directly relevant to Pearl Harbor, this item shows how desperately Roosevelt wanted to get into the war. He was not above setting up an incident. (Mentioned by Bartlett.)
- I discussed above the "bomb-plot" messages, which set up a target grid for Pearl Harbor and were intercepted by Washington. (Mentioned by Bartlett.)
- A final "bomb-plot" message, sent on December 3, established a system by which the Japanese consulate in Hawaii would signal the location of U.S. warships not by radio but visually to Japanese ships offshore! This "bomb-plot" message was translated in Washington on the afternoon of December 6. The official story is that our old friend Commander Kramer did not like the translation, so he cursorily laid it aside for further work. (Not mentioned by Bartlett.)
- Efforts by lower-ranking officers in Army and Navy intelligence to compose and send warnings of possible Japanese attack to Hawaii were countermanded by their superiors. (Not mentioned by Bartlett.)

• On December 6 General Arnold personally ordered the Army air forces on the West Coast dispersed in the event of a possible Japanese attack. If Roosevelt and his subordinates expected an attack on the Philippines only, why did they alert the West Coast? Hawaii seems to be the only area not alerted. (Not mentioned by Bartlett.)

• When on December 7, after his mysterious absence, General Marshall finally sent a warning to Hawaii, he sent it by commercial telegraph rather than by scrambler telephone or radio transmitter, both of which were readily available. The warning arrived after the attack was over. (Mentioned by Bartlett.)

While some of these points are consistent with the theory that the Roosevelt administration expected the Japanese to strike at the Philippines, they become far more sinister once one concedes, as the other points strongly indicate, that Washington knew that Hawaii was the Japanese target.

Regardless of one's ultimate conclusions about the more extreme revisionist accusations, Bruce Bartlett's *Cover-Up* is well worth reading. For those unfamiliar with Pearl Harbor revisionism, it is a good introduction. Those who have already read the older revisionist writings will still profit from its account of the Pearl Harbor investigations. Until a more comprehensive general treatment appears, it will remain one of the better summaries.

Jeffrey Rogers Hummel is a graduate student in US history at the University of Texas at Austin.

In Pursuit of Happiness

By William B. Scott.
Bloomington: Indiana University Press.
1977. 244 pp. $12.50.

Reviewed by Bernard H. Siegan

I doubt that many Americans will conclude that a book entitled *In Pursuit of Happiness* is about the right of property. Two explanations come to mind. First is the unfortunate but pervasive notion that property has to do more with selfishness than with happiness. Second is the limited recognition given in our schools to the background and significance of private property in American society.

A student of mine relates an experience in playing a game in which the participants are required to identify the missing term in a familiar phrase. The hostess read, "Life, liberty, and ..." to which my student immediately responded "property." Much to her surprise, this answer was derided, while shouts of "pursuit of happiness" rang forth. Not a single person could be persuaded that "property" was an appropriate rounding out of the trilogy. This was confirmed by the official reply recorded in the game book. No other answer was given, although the phrase containing the word *property* appears twice in the Constitution, in the Fifth and Fourteenth Amendments.

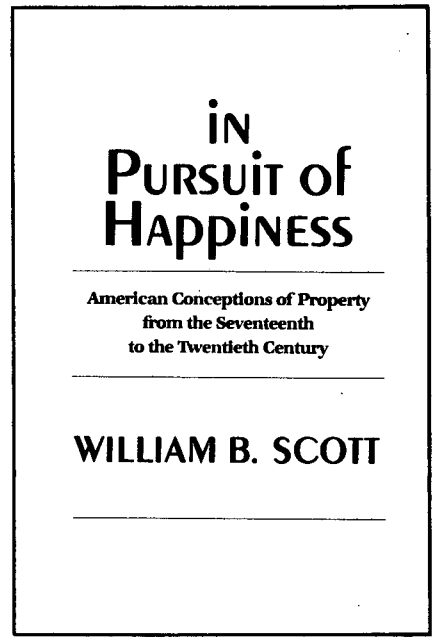
A similar reaction would not have occurred during the nation's formative years. No one knows why Jefferson changed John Locke's trilogy in drafting the Declaration of Independence, but clearly it was not because the property right lacked support. Thus, Gouverneur Morris, an influential delegate to the American constitutional convention of 1787, expressed these sentiments during that conclave: "Life and liberty were generally said to be of more value than property. An accurate view of the matter would nevertheless prove that property was the main object of society." Several other delegates agreed that the preservation of property rights constituted the principal purpose of government.

While not all 55 delegates to the convention shared these views, it is apparent from reading the records that the vast majority gave a high priority to private ownership. There is no evidence from that source that anyone was shocked or distressed by Morris's position. This should not be surprising, since such views were dominant in the 18th century. Many leaders of the French Revolution actually favored perpetuation of a private property system.

Because of the dearth of information concerning this most basic and important right, I welcome the appearance of William B. Scott's *In Pursuit of Happiness: American Conceptions of Property from the Seventeenth to the Twentieth Century*. This book is a well-written history valuable as an overview of the changing ideas and attitudes that have shaped this society's notions of property rights. It contains neither startling revelations nor challenging new philosophy. Nevertheless, it succeeds in the rather modest but worthwhile task of educating readers who might never have given much thought to the history of property rights.

Scott includes interesting discussions of the views of some prominent Americans supporting (Field, Sumner, and Moley) and rejecting (Bellamy, Veblen, Croly, and Dewey) a society oriented on private ownership. According to the first group, the legal status of property reflects on the authoritarianism of the State. The collectivists' refusal to accept this correlation may explain their position on property. They did not seem to understand that property rights can be eliminated only by a government powerful enough to destroy all other liberties.

Earlier generations better comprehended the role of property in a free society. During the 17th and 18th centuries this right was considered an essential defense against authoritarianism; it signified freedom, autonomy, independence. The right to possess and enjoy property was of the utmost importance, for on it was based the exercise of most other rights. It meant that people could work,



produce, invent, invest, and create, secure in the knowledge that, except for taxes, they could retain the rewards of their labor and ingenuity. Even if the government did demand their property, people would be fairly compensated.

The priority of rights in our day is far different. When President Carter demands universal observance of human rights, the common assumption is that these rights relate to political and intellectual liberties—that is, those concerned with the right to speak, write, pray, and petition—and the protection of an accused from unjust punishment. As far as I am aware, the president nowhere includes property or economic liberties in his demands.

Nevertheless, countries that do not preserve property and economic liberties will never be able to honor freedom of speech, press, and religion. Anyone who owns property that the State may confiscate will be exceedingly hesitant to voice any opinion or engage in any conduct that might displease those in power. If

American society ever reaches this dismal stage, we will have completely lost the pursuit of happiness. The trilogy, regardless of its ending, will no longer be a valid description of this country's goals.

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Bernard Siegan is professor of law at the University of San Diego.

The View from Sunset Boulevard

By Benjamin Stein.
New York: Basic Books. 1979. 156 pp. $8.95.

Ben Stein's little action-packed book is the sort of work one would expect a lot more of in this era of investigative journalism. When we have up for grabs such juicy topics as the political and ethical views of the people who make things happen on our television screens, why do most investigative reporters run around trying to dig up dirt on fourth-rate politicians and to write exposés of chemical companies already under indictment for being rich? Because to research the material for the kind of book Mr. Stein has written requires a lot more work than merely going to public records and the Library of Congress. (In short, a lot of investigative journalism is in fact journalism at cut-rate costs.)

Instead of taking the cheap way out, Mr. Stein went knocking on the doors of people whose views and behavior are not recorded in public places for everyone (including lazy reporters) to read about. And what he has found is something of a horror story.

Stein tells us that television "represents nothing more than the views of a few hundred people in the western section of Los Angeles. It is a highly parochial, idiosyncratic view of the world that comes out on TV screens, the world view of a group whose moment has come."

What is this world view? Mainly that wealth necessarily means evil and poverty necessarily means innocence. As one famous television mover says it: "The whole idea of making money changes a person's attitude. It makes people callous towards other people. You cannot make a lot of money without stepping on people." Another tells us: "For some people to be poor, others have to be rich. The poor are taken advantage of by the rich." And again, "Poor people are the victims of a social malfunction."

The folks speaking—Thad Mumford, Gary Marshal, and Stanley Kramer, respectively—have been regulars, indeed, constants, on the American television scene. They produce, write, edit, and otherwise shape the character of television humor and drama. And Stein demonstrates that they are economic and moral illiterates—perhaps outdone in this respect only by the crowd that controls America's liberal education at present.

Mr. Stein does not say these things himself. He vows that "there is no normative conclusion to this book" and naively exclaims that "people should be free to make television as they want, in the operation of a free and open system." That is a characteristic conservative comment—as if the present oligopolistic broadcast system, with the Federal Communications Commission making sure that outside of the three networks the electromagnetic spectrum shall not serve to profit anyone very much, could be said to constitute "the operation of a free and open system." In fact, contemporary American broadcasting is a virtual government monopoly, only a bit less centralized than the systems of Europe and the socialist bloc. Ours is a mixed system, but one that is far less laissez-faire than most other enterprises, since the government legally *owns* the airwaves. Once this is recognized, the normative implications of Mr. Stein's extremely useful observations and exposes cannot escape any reasonable person: Pull the monopolistic rug from under the broadcast "business," and let's get a competitive enterprise going. It's our only hope for seeing some quality, let alone variety, on the screen.

—Tibor R. Machan

On Moral Fiction

By John Gardner.
New York: Basic Books. 1978. 214 pp. $8.95.

John Gardner's *On Moral Fiction* is a book that will warm the cockles of a number of hearts, but not many of even that happy number will make it through the first section of the book, entitled "Premises on Art and Morality." This is unfortunate, since the end of the first section and some parts of the second are well worth reading.

Gardner is at his best when addressing directly the fiction he knows best, that of the 20th century. To Vonnegut and Mailer he extends a sad and critical kindness. He deals with Barth and Bellow with insight, respect, and a kind of searching sadness. His quotations are from the best of their writing, when, without being unfair, he could easily have arranged for them to appear at a disadvantage. And if he is nasty to the rest of the current brood, his criticisms hit home with stinging accuracy. Gardner is no ranting reactionary, denouncing 20th-century literature as a whole because it is hard to read, is dark in its message, and leads its practitioners to take summary leave of life. His appreciation for the novels of Burroughs and the poetry of Ann Sexton is genuine and informed.

That is what is good about *On Moral Fiction*. What is bad about it is that it is an elaborate and inferior rewriting of Tolstoy's *What Is Art?* This is a debt that Gardner freely acknowledges. What surpasses understanding is his apparent belief that *What Is Art?* needs rewriting.

Tolstoy's work is a powerful and clear argument for the claim that art is genuine only when it expresses true feeling and good only to the extent that it expresses the highest religious perceptions of its age. Gardner obviously believes both of these claims, but he has not the faintest sense of how to connect or ground them. The argument he thinks he has rests on a shaky equation of the Good (a "relative absolute" that has to do with the ideal conditions of human existence), the True (which in art is "that which does not feel like lying") and the Beautiful ("the truth of feeling"). So defined, the notions may indeed coincide. The reader, faced with no argument and an overlong stream of rhetoric, is hard put to say whether they coincide or not—or even whether Gardner thinks they do.

Gardner generously attributes most of his views to other thinkers, and this is another point of negative comparison with Tolstoy. When Tolstoy quotes and analyzes philosophers, he is precise and nearly always accurate. When Gardner does so, he achieves, as might have been expected, "that which does not feel like lying." It would be easier to convict Gardner of outright inaccuracy if he were more precise. But suffice it to say that Aquinas never, to my knowledge, acknowledged it to be a defect of logic that it, "however rigorously applied, could support opposite conclusions."

Gardner is equally capricious in his dealings with older literature. Poseidon does not give way to Zeus because "the gods like men desire order"; he retreats because Iris warns him that Zeus, backed by the "justice" of the Furies, will smack him in half. The gods of the *Iliad* are a crew of disorder-dealing shrews and cranks whose ill-spirited meddling gives men an inadvertent chance to be heroes by making a mortal, if doomed, stand. And though Gardner is certainly welcome to his own personal and existential-

ized view of Dante as author, he is assuredly not welcome to reduce the principles of construction of *The Divine Comedy* to Dante's wondering to himself what he could say without shame or embarrassment in the presence of Beatrice. Tolstoy dignified a great deal of what is undeniably great art by damning it to hell; he never trivialized it.

On Moral Fiction is not a bad book. It is a work that is borrowed from one essentially finer. Readers who are interested in a theory of moral fiction ought instead to buy a copy of *What Is Art?* It's a better book, and it's much cheaper.

—Mary Sirridge

taxes

(*Continued from p. 40.*)

with, then get together with him *now*. Once December 31st goes by, the chance is lost. Many hundreds of thousands of dollars—even *millions*—have been saved or undone by time limits or regulations involving *one day*.

What might the specialist tell you to do? Virtually *anything*, depending on your individual situation. Spend money. Save money. Call in debts, do your billing. *Don't* call in debts or do your billing. Buy something. Sell something. The possibilities are endless. However, one good rule of thumb is this: the more complex and extensive your financial gyrations were during the previous year, the more important year-end tax planning is going to be.

So, like I say, *do it now*. By working with your tax specialist at this time, you'll be saved from having to simply *react* to the tax laws when you file—you'll be using them to further your own best ends. And *that* can't be bad.

Oh yes, there's one other thing. As I've mentioned before, there is a simple tax credit on the Form 1040 for donations to political candidates. It's been working so handily for the Democrats and Republicans that they last year enthusiastically *doubled* the credit. *Now*, if you're filing a return alone, you can claim a maximum deduction of 50 percent of a $100 donation (or 50 percent of any lesser donation). If you're filing a joint return, you can claim a credit of 50 percent of $200 (or 50 percent of any lesser donations).

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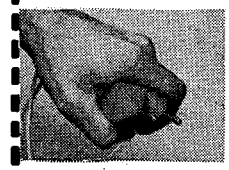

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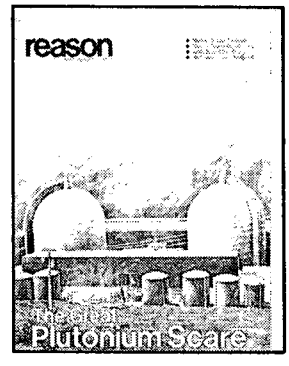
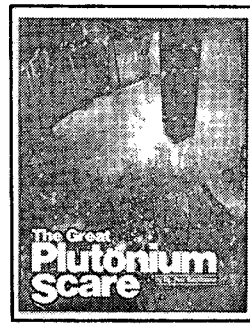
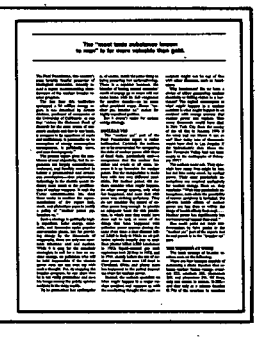


September 1977 $1.25

Is plutonium really "the most dangerous substance known to man"? Not by a long shot, writes Dr. Petr Beckmann, who also discusses breeder reactors, nuclear fuel reprocessing, and nuclear proliferation in this important article. Also in this issue: a black writer takes on Nathan Glazer over affirmative action, a gay activist takes the gay rights movement to task, Dr. Peter Breggin explores the psychology of submission to authority, and two libertarians question natural rights. Plus a profile of Edith Efron, Tibor Machan on attacks on liberty, and Jeff Riggenbach's review of Samuel Delany's *Triton*.





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—Tim Condon

letters

(*Continued from p. 11.*)

were all covered in the article (See e.g., pp. 37-38 for points 1-5 and p. 39 for point 6) and add nothing new. Taft was not a hard core isolationist and did favor assisting friendly nations under strict conditions. Taft's call for "powerful American armed forces," however, was limited strictly to air and naval forces and not a huge standing army permanently stationed throughout the world. All this hardly qualifies Taft as a cold warrior. As for point 7 (an underground war of infiltration), Taft was merely responding in a limited way to what he perceived as similar tactics by the USSR:

> Another method pursued by Soviet Russia is *probably justified* for us today *under all the circumstances, although certainly it is not in accordance with American tradition and is no part of a permanent foreign policy.* The Russians...send secret agents into foreign countries...[to] infiltrate every kind of organization which has some influence on the people....This suggests...that we could do the same thing in the iron-curtain satellite countries. (emphasis added)

He did not consider a response in kind by the US to be provocative. This, too, hardly qualifies Taft as a cold warrior. . . .

The "Truth." Taft *was* appalled by FDR's foreign policy and with good reason. And there was no "might have" about it. Taft believed that FDR's foreign policy deliberately *and* needlessly led us into war. As for Taft taking "some time" to recognize that the USSR was more of a threat than Hitler, it took him about as long as it took the Russians to develop (a) the atomic bomb and (b) the capability to deliver it to targets in this country—an ability Germany never possessed. Recognizing reality does not make Taft a cold warrior.

Taft's Memory. Robert Taft *was* an honorable man. He was also a wise and remarkably far-sighted man. As Nicholas von Hoffman wrote in *The Washington Post* in 1971: "Taft was right, right on every question all the way from inflation to the terrible demoralization of troops....[Taft's policies were] a way to defend the country without destroying it, a way to be part of the world without running it." Von Hoffman, Murray Rothbard and others like them honor Taft's memory for the right reasons. So do I.

Freeing Union Fees

That news item on page 17 in the August issue concerning the return of union fees used for political purposes is really exciting. I and I'm sure many other readers would like to know if and how other union employees can force their unions to return dues spent for political goals.

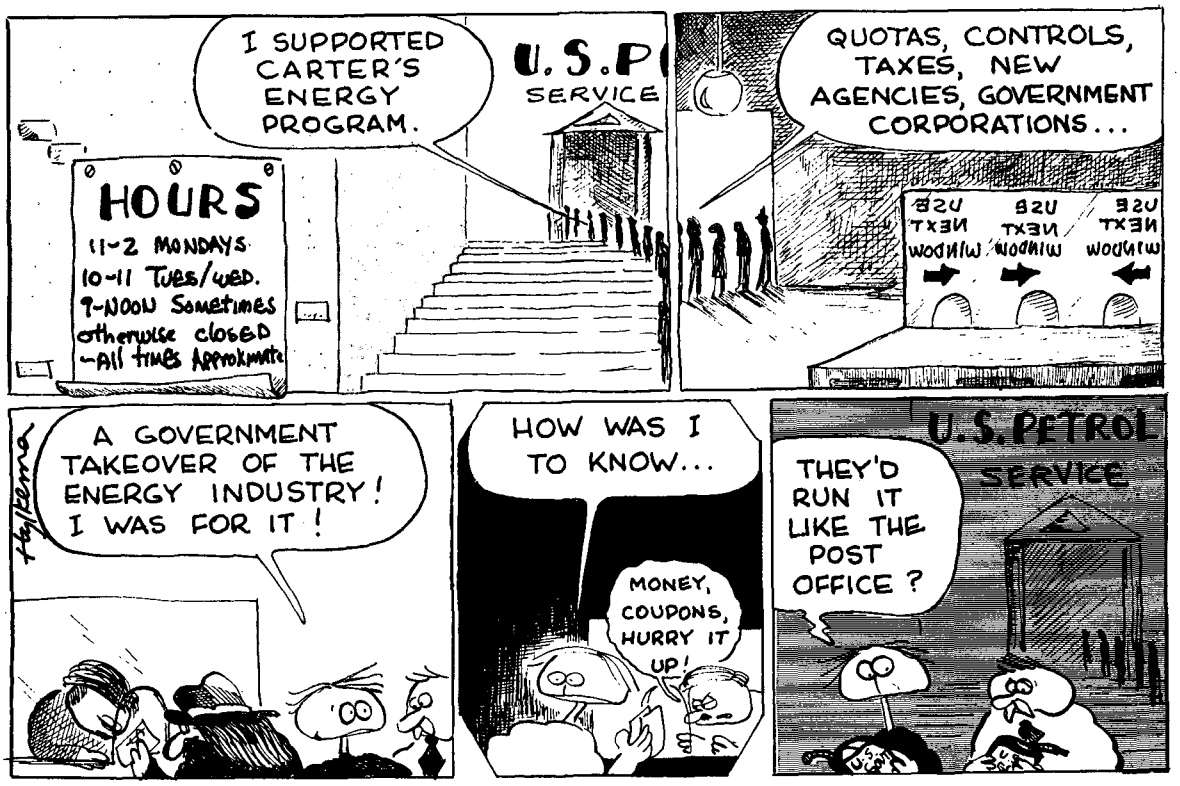
Of course, the political effects of ending unions' coercive support of statist yoyos and of statist laws is huge. Please follow up on this very promising issue.

William J. Zelko, Jr.
Saddle River, NJ

(*Continued on p. 50.*)

rudebarbs

RANDALL K HYLKEMA



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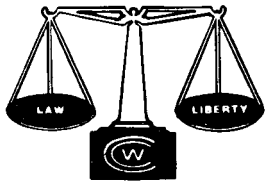

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letters

(*Continued from p. 48.*)

Editor's reply: Interested readers should contact the National Right to Work Legal Defense Foundation, 8316 Arlington Blvd., Fairfax, VA 22038.

Public vs. Government

I enjoyed reading your August article "Shrinking Government" except for the repeated use of the word *public* to mean *government*. Instead of falling into semantic traps set by statists, libertarians should speak of government sector vs. public sector, and in general avoid terms that suggest an identity between government and citizens. Libertarians should correct people who use *we* to mean government as in "we should do something about that." New York City is a place; it's the government of NYC that has a fiscal crisis. Let's turn the tables on the statists.

Alan Burris
Pillsford, NY

classifieds

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TO ALL SUBSCRIBERS: Please note the newsletter for Mensa's special interest group in Objectivism ("The M Objectivist") has ceased publication, due to the inability of the coordinator to handle the marked lack of response. Ophelia Betty Hendrie, National Coordinator.

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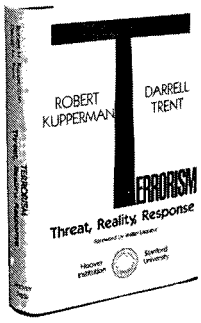

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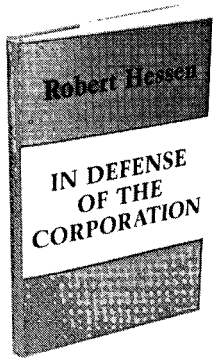

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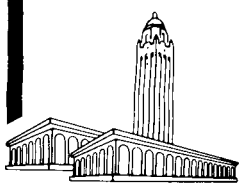

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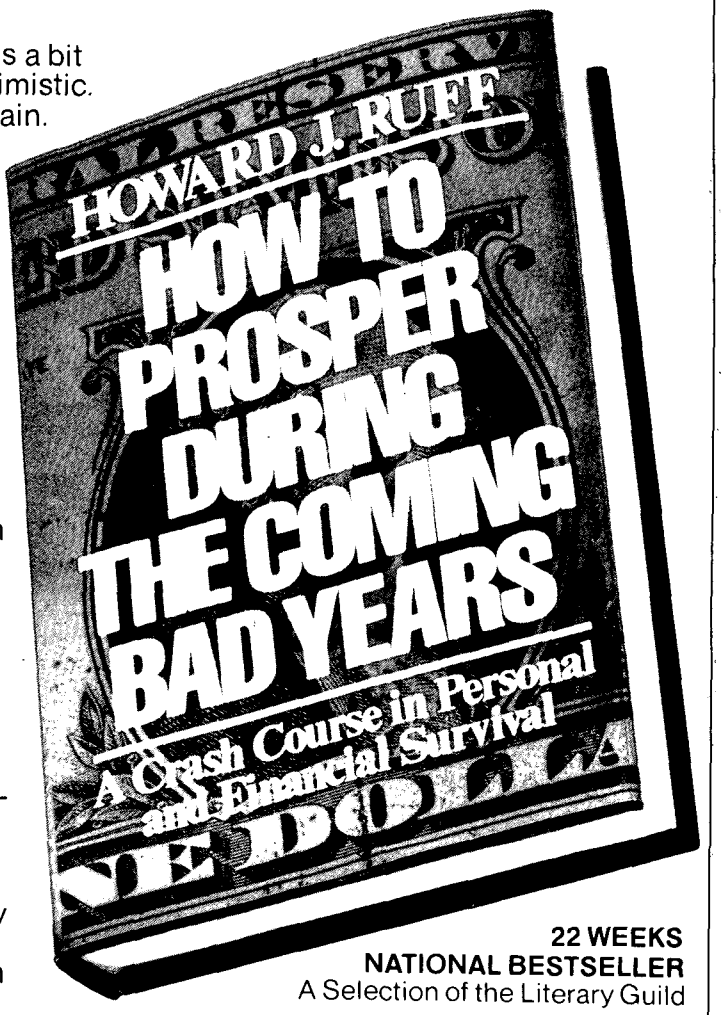

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